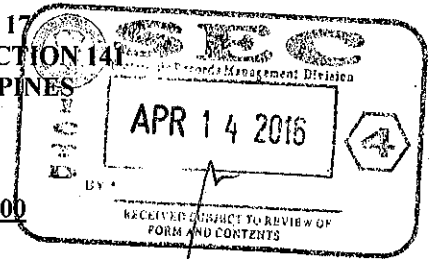


SEMIRARA MINING AND POWER CORPORATION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**



1. For the fiscal year ended: **December 31, 2015**
2. SEC Identification No.: **91447** 3. BIR Tax ID No.: **000-190-324-000**
4. Exact Name of issuer as specified in its charter: **Semirara Mining and Power Corporation**
5. **Philippines** 6. _____ (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
Incorporation or organization
7. **2nd Floor, DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City 1231**
Address of principal office Postal Code
8. **(02) 888-3555 / (02) 888-3955 (Fax)**
Issuer's telephone number, including area code
9. _____
Former name, Address and fiscal year, if changed since last report
10. Securities registered pursuant to Secs. 8 & 12 of SRC, or Secs. 4 & 8 of RSA

Title of Each Class	Number of Shares Stock Outstanding and Amount of (Long-term) Debt Outstanding
Common	1,068,750,000 / PHP16,088,724,435

11. Are any or all of these securities listed on a Stock Exchange
 Yes () No ()
 If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange - Common Shares

12. Check whether the issuer:
 - (a) Has filed all reports required to be filed by Sec. 17 of the SRC and SRC Rule 17 thereunder or Sec. 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 reports);
 Yes () No ()
 - (b) Has been subject to such filing requirements for the past ninety (90) days.
 Yes () No ()

(c) State the aggregate market value of the voting stock held by non-affiliates of the Registrant.

Name	No. Of Shares Held ¹	% of Total	Aggregate Market Value (PHP)
PCD Nominee Corp. (Foreign)	151,451,253	14.17%	19,688,662,890.00
Others	184,530,621	17.27%	23,988,980,730.00
TOTAL	335,981,874	31.44%	43,677,643,620.00²

¹ As of March 10, 2016

² Computed on the basis of closing price at ₱130.00/share as of March 10, 2016 as quoted by the Philippine Stock Exchange.

**SEMIRARA MINING AND POWER CORPORATION
SEC FORM 17-A**

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PART I- BUSINESS AND GENERAL INFORMATION

A. DESCRIPTION OF BUSINESS

(1) Business Development

(a) **Form and year of organization.** - The Company was incorporated on February 26, 1980 to explore, develop, and mine the coal resources in Semirara Island. To date, the Company has seven (7) wholly-owned (100%) subsidiaries, namely:

- (i) SEM-Calaca Power Corporation (SCPC) was incorporated on November 19, 2009 to engage in the business of power generation;
- (ii) SEM-Cal Industrial Park Developers Inc. (SIPDI) was incorporated on April 27, 2011 to engage the development of economic zone in accordance with Republic Act No. 7916, as amended, otherwise known as the Special Economic Zone Act of 1995;
- (iii) Southwest Luzon Power Generation Corporation (SLPGC) was incorporated on August 31, 2011 to engage in the business of power generation;
- (iv) Semirara Claystone Inc. (SCI) was incorporated on November 29, 2012 to engage in the business of manufacturing of clay products;
- (v) Semirara Energy Utilities Inc. (SEUI) was incorporated on February 18, 2013 to perform qualified third party functions as an alternative electric service provider authorized to serve remote and unviable areas;
- (vi) SEM-Balayan Power Generation Corporation (SBPGC) was incorporated on September 9, 2013 to engage in the business of power generation; and
- (vii) St. Raphael Power Generation Corporation (SRPGC) was incorporated on September 10, 2013 to engage in the business of power generation.

(b) **Any bankruptcy, receivership or similar proceedings.** - None.

(c) **Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.** - None.

(2) Business of Issuer

(a) Description of Registrant

- (i) **Principal product or services and their markets.** - The Company generates its revenues through the production and sale of sub-bituminous coal. The coal handling services at the National Power Corporation's Calaca Power Plants, located in Batangas was terminated after the Company's wholly-owned subsidiary, SCPC acquired ownership over the Calaca Power Plants in December 2, 2009. Over the years the Company diversified its coal market. For the year 2015, volume sold to export market accounted for 36% of the total coal sales, the power generation sector 26%, cement and other industries at 15%. Year on year, market share varies depending on the demand from each of the major market sector. The total power off-take in 2015 showed a net increase of 41% from last due to higher off-take by its own power generating units at Calaca, Batangas. The Company's wholly-owned power subsidiary, SCPC supplies power under various bilateral contracts and its excess power generated are sold to Whole Sale Electricity Spot Market (WESM) or the spot market. Total contracted energy in 2015 is at 491.4MW, of which 420MW is for Meralco. Sem-Calaca Industrial Park Development, Inc. intends to develop certain areas within the premises of the Calaca Power Plant into an economic zone to cater certain industries that will benefit due to its proximity to Calaca Power Plants but to date, it still remains under study. To date, approval to develop the areas within the Calaca Power Plants is pending with the Philippine Economic Zone Authority (PEZA). The new wholly-owned subsidiary, Semirara Claystone, Inc. was created to primarily engage in, conduct, and carry on the business of manufacturing, buying, selling, distributing, marketing at wholesale and retail all kinds of goods from clay and other related raw materials, it is still under pre-operating stage since it has not yet started production of commercial quantity. SLPGC is currently developing and going to operate the 2x150 MW Coal Fired Thermal Power Plant, using Circulating Fluidized Bed Technology,

located adjacent to the Calaca Power Plants. Project target completion is 1st half 2015. Finally, SRPGC plans to own, develop and operate a power plant with a capacity which may range between 350MW to 400MW to be located adjacent to SLPGC's power plant.

- (ii) **Percentage of sales or revenues and net income contributed by foreign sales for each of the last three years.** – For years 2015, 2014 and 2013, the coal segment, foreign sales accounted for 36%, 60% and 44% of gross coal sales revenues, respectively and around 42%, 33%, 23% in net income after tax, respectively. For the power revenue, 100% is local sales.
- (iii) **Distribution methods of the products or services.** – In general Marketing policy is to sell directly to ultimate consumers for local sales on FOB basis. Export sales are distributed through coal traders, also on FOB basis.
- (iv) **Status of any publicly-announced new product or services.** - Not applicable.
- (v) **Competition.** - Competition is insignificant in so far as domestic coal mine is concerned. The Company remains the largest coal producer in the Philippines. Based on the 2014 production data from Department of Energy, the Company's production output accounted for 97% of total production in the Philippines of 8.41M MT while the nominal balance is shared by small-scale mines in Cebu, Batan Island, Albay, Surigao, Zamboanga and other areas. Nonetheless, domestic coal demand is still anchored heavily on imported coal. The Company only supplies 18% of the total domestic consumption of 20.16 million MTs. The competitiveness of domestic coal producers is challenged by the more superior quality of imported coal as well as the government's policy on liberalization. This is however compensated by the Department of Energy's policy to promote indigenous energy resources and lower freight costs of local coal vis-à-vis imports. The Company remains to be competitive while it continues to exert efforts to improve the quality of its coal and keep production costs low. Common Effective Preferential Tariff rates (CEPT) on coal among ASEAN member nations is 0%, outside ASEAN, the tariff rate is at 5%.

To be competitive, local coal industry must be priced competitively against imported coals, currently from, Indonesia, China & Australia. Pricing of domestic coal is based on import parity inclusive of taxes and duties (at the current rate of taxes and duties). With the inherent quality of Semirara coal, it is estimated that it can be utilized by approximately 50% of the total Philippine market. The promptness of delivery and quality of coal is required. The power companies are mostly located in Luzon and a few in the Visayas and Mindanao.

- (vi) **Sources and availability of raw materials and the name of Principal suppliers; any major existing supply contracts.** - The Company has a Coal Operating Contract (COC) with Department of Energy (DOE) in 1977 (amended 1981) for the exploration, development, mining and utilization of coal over Semirara Island, Antique pursuant to Presidential Decree No. 972. On May 13, 2008, the DOE approved the term extension of the Company's COC from July 13, 2012 to July 14, 2027. Semirara Island has an estimated coal reserve of around 170 million MTs. On November 12, 2009, DOE and the Company amended the Coal Operating Contract. Said amendment changed the coordinates of the contract area to include an area of 3,000 and 4,200 hectares, more or less situated in Caluya Island and Sibay Island, Antique.

In 2013, two new concessions were awarded to the Company - in Bulalacao, Oriental Mindoro and in Maitum and Kaimba, Province of Sarangani, bringing to five the concession areas where the Company has coal operating contracts.

Currently, the Company has an existing coal supply contracts with its own power subsidiaries, SCPC and SLPGC, as well as other power plants and cement manufacturers.

- (vii) **Dependence upon a single customer.** –The Company is no longer dependent upon a single customer. It successfully diversified its market base. In 2015, export and local sales registered at 37% and 63% in terms of volume and at 36% and 64% in terms of value, respectively. While in 2014, export and local sales registered at 59% and 41% in

terms of volume and 60% and 40% in terms of value, respectively. Power segment was at 52% in 2015 from 43% in 2014. Total sales to power plants registered at 46% from 26% in 2014. The balance was shared among other power plants, cement plants, other industries, and export markets.

Historically, approximately 98% of the Company's revenue streams were from then NPC Calaca Plants. NPC's consumption of Semirara Coal has steadily increased since the Company worked on improving the quality of its coal. Note that the Company started washing 25% of its production in mid-1999. Resultantly, its market has widened, to include other power plants, the cement industry and other small industrial plants and in 2007, Semirara coal was tested by the export market. In 2007, NPC's share in volume and value of the Company's sales went down to 38% and 45%, respectively, from 63% to 68% in 2006. In 2008, NPC share in volume and value further dropped to 24% to 40% due to steady increase in total volume sold resulting from increase in domestic sales to other power plants and industries and export sales as well. In 2007, sale to domestic customers (outside NPC) accounted for 39% and 37%, respectively, in terms of volume and value, and rose to 46% in volume and decreased by 27% in value in 2008. Likewise, in 2007, export sales' share in volume and value registered at 22% and 18%, respectively, and went up to 30% and 22% in 2008. In 2009, NPC Calaca Power plants' share in volume remained at 24%, while in terms of value it slid to 39%. Market share of domestic customers, other than NPC registered at 25% for both volume and value. Notably, the share of export market went up to 51% and 37% in volume and value respectively in 2009. In December 2009, the 2x300 MW power plants of NPC at Calaca, Batangas were turned-over to Semirara Mining Corporation after successful privatization of PSALM of said power plants.

Meanwhile, in the power segment, total contracted energy is 489 MW, bulk of which or 420 MW is contracted to Meralco.

- (viii) Transactions with and/or dependence on related parties.** - Please refer to Note 18 (Related Party Transactions) of Notes to Parent Company Financial Statements and Note 18 (Related Party Transactions) of Notes to Consolidated Financial Statements.

The company has no other transaction with other parties (outside the definition of "related parties") whom the company or its related parties have relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis. Related Party Transaction does not include financial assistance to affiliates or related entities not wholly-owned subsidiaries.

- (ix) Patents, trademarks, copyrights, licenses, franchises, Concessions and royalty agreements held.** - Under its Coal Operating Contract, the Company is required to pay royalties to the Department of Energy (DOE) – at minimum of 3% based on FOB sales or at 30% of net proceeds (gross revenue less all expenses, excluding royalty and corporate tax) and compensation for entry and use of private lands under the provisions of PD 972, as amended by PD 1174, to land owners—₱0.50/MT for untitled land and ₱1.00/MT for titled land.
- (x) Need for any government approval of principal products or services.** - The Company has secured permits and licenses from the government as follows: a) Coal Operating Contract with the DOE effective until 2012;³ b) DENR Mineral Exploration Permit No. 99-001-VI renewable every 2 years; c) DENR Environmental Compliance Certificate (ECC) No. 9805-009-302; d) DENR Environmental Compliance Certificate ECC-CO-1601-005 for its Molave Coal Project; (e) Business Permit issued by Caluya, Antique and Makati City; f) Aerodrome Rating Certificate No. 218 issued by the ATO-yearly renewable by site; g) Certificate of Registration of Port Facilities No. 149 until December 31, 2014⁴; and h) DENR Special Land Use Permit No. 6-1-SLUP-OLP002-03152017 until March 15, 2017.

³ Extended on May 13, 2008 for 15 years or until July 14, 2027.

⁴ Renewal of permit is pending with the Philippine Ports Authority.

- (xi) **Effect of existing or probable governmental regulations on the business.** – None
- (xii) **Estimate of amount spent on research and development Activities (2 fiscal years).** - None.
- (xiii) **Costs and effects of compliance with environmental laws.** - The Company has programs being implemented to comply with the conditions of ECC, which includes the Regular Monitoring by the Multi-partite Monitoring Team (MMT), Marine Assessment Studies/Surveys, and Social & Environmental Development Programs such as expanded mangrove areas, initiated and supported livelihood projects, implemented reforestation programs on the island and cultivated marine sanctuary, i.e., giant clams and abalones. The Company has spent ₱547.96 Million for these activities from 1999-2013. The Company has established an Environmental Monitoring Fund for MMT, which has an initial amount of ₱600,000.00 determined by the work and financial plan of the Monitoring Team. Also, an Environmental Guarantee Fund was established with a cash component of 1.5 Million. This enables the continued mining operations of the Company.

(xiv) **Total number of employees.** - The number of workforce of the Company is 3,319 and 2,674 for the years 2015 and 2014, respectively, inclusive of employees based at the Company’s head office in Makati. Out of the 3,319 workforce for 2018, 778 are employed by the Company while the rest are employed by the Company’s contractors, one of which is DMC Construction Equipment Resources, Inc., an affiliate of Dacon Corporation. The Company does not anticipate hiring additional employees for the ensuing year except when due to contingencies resulting in separation, resignation, and termination of services of existing employees. The breakdown of the Company’s employees according to type, are as follows:

Executive	15
Managers	41
Supervisors	64
Rank and File	658
Total	778

On the other hand, in 2015 total number of SCPC workforce is 640, 569 of which are indirectly employed inclusive of the O&M contractor employees at SCPC’s Calaca Power Plant. In 2014 its workforce was 258. SLPGC’s workforce total 158, of which 141 are employees while the Company’s other subsidiaries, namely: SIPDI, SCI, SEUI, SBPGC, and SRPGC are non-operational, hence, no employees were hired.

The CBA was signed between the Company and Semirara Mining Corporation Labor Union (SMCLU) last December 14, 2006, which will last five (5) years after effectivity. There was a notice of strike which, however, did not materialize due to settlement resulting in the signing of the new CBA. After the expiration of the CBA on August 31, 2011, no new CBA was executed by SMCLU and the Company. Meanwhile, the terms of the CBA continues to be implemented. There are no existing labor unions in the Company’s subsidiaries.

(xv) **Major Risks.** - Major business risks are operational, regulatory, and financial risks. For Financial Risk Management Objectives and Policies, please see details in Note 28 to the Audited Consolidated Financial Statements. The operational and regulatory risks are being mitigated by the company’s compliance to its IMS Policy which is ISO certified. Its Integrated Management System (IMS) covers the following: Quality Management System (ISO9001:2008), Environmental Management System (ISO 14001:2004) and Occupational, Health and Safety System (OHSAS 18001:2007). The Company is ISO certified since 2008. Meanwhile, its power subsidiary mitigates its business risks by employing equipment redundancy to manage the risk of prolonged unplanned shutdowns and by securing business interruption insurance for its power plants.

B. DESCRIPTION OF PROPERTY

(1) **Property.** - The mine site located in Semirara Island, Caluya, Antique, is part of the coal mining reservation under Proclamation No. 649 issued by then President Manuel L. Quezon on November 20, 1940. Certain areas in the mine site are leased with rental payments of PhP5.78 million for 2015. The infrastructures and road network, office administration buildings, and power plants, are some of the improvements made by the Company on the leased area, as well as the following:

a. <u>Building/Offices:</u>		Units	Units
Administration Building	1	Motorpool MWS	1
Analab Building	1	MS1 Building	1
Civil Works Office & Warehouse	1	MS2 Building	1
Coal Power Plant 2x7.5MW	1	MS4 Building	1
Coal Power Plant 1x15MW	1	MS5 Building	1
Coal Silo	4	MS7 Building	1
Core House	1	Oxygen/Acetylene Building	2
CRO Office	1	Panama Complex	1
Diesel/Bunker Power Plant	1	Pitshop	1
Drilling shop	1	Product Office	1
Genset Shed at CPP	1	RMO Office	1
HRD Office & Library	1	Sand Blasting Plant	1
Lime Plant	1	Shipping Office	1
Magazine Building	3	Tire Shop	1
Main Workshop	1	Warehouse	1
Warehouse Auxiliary Building	1		
b. <u>Housing:</u>		Units	Units
Altar Boys Quarter	1	Lebak Housing	145
Group Staff House	2	Molave Housing (Laborer's Unit)	911
Individual Staff House	3	Pinatubo Housing	51
Kalamansig Housing	78	Staff House at Tabunan	2
Laborer's Clusters 1-7	58	Waffle Crete Building	2
Poocan Housing	100		
c. <u>Others:</u>		Units	Units
Commuter terminal	1	Messhall at Tabunan	1
Covered tennis court	1	Messhall at waffle crete	1
Gantry at Mayflower	1	Mix Commercial Building	3
Gantry at MWS	1	Multi-purpose Gym	3
Grotto	1	Multi-purpose Hall at Bunlao	1
Hangar	4	Multi-purpose Hall at Phase 1	1
Material Recovery Facility	1	Multi-purpose Hall at Phase 4	1
Messhall 1	1	ONB ATM Machine Building	1
Messhall at Cluter 5	1	Oval at Pinaggala Area	1
Messhall at Cluter 7	1	Pall Water Filtration Plant	1
Semirara Plaza	1	Pottery Building	1
Slipway	1	Pump house & landscaping	1
SMC Infirmary	1	Semirara Airstrip	1
Smart Site Tower	1	7.0 LM Wind Breaker	1
Tabunan Hatchery & Laboratory	1	Sand Blasting Plant	1

All properties with the net book values are active assets. These are all located in Semirara Island, Caluya, Antique (mine site). All properties are free of any liens and encumbrances except some mining equipment used as collateral for the Company's loans. The Company also invested in mining and other equipment worth PhP1.816 billion, PhP1.090 billion, and PhP1.050 billion, for 2015, 2014 and 2013, respectively.

On the other hand, its power subsidiary, SCPC owns the following equipment, structures, buildings and improvements located over parcels of land subject of a lease contract for 25 years from the Power Sector Assets Liabilities and Management Corporation (PSALM) at Calaca, Batangas with rental payments of PhP150.57 million to cover the entire duration of the lease:

1. 2x300 MW units of the Calaca Power Plant with its major components and accessories
2. Staff Housing Units
3. Guest House
4. Pier

5. Conveyor Unloading System
6. Coal Stockyard
7. Administrative Building
8. Motorpool

On July 4, 2011, SCPC exercised its option to buy several parcels of land with an aggregate area of 29.3 hectares, subject of the lease from PSALM all located within the premises of the Calaca Power Plants. SCPC assigned to its option to buy over an additional 8.2 hectare lot to the Company which option was exercised on July 4, 2011. Said 8.2 hectares was later sold by the Company to SLPGC on August 28, 2013.

- (2) **Mining and Oil Companies.** - The mining claims are located in Semirara Island, Caluya, Antique covering an area of 3,832 hectares. On March 10, 1999, the Company was granted an Exploration Permit for a period of two years and renewable for a like period for a maximum of 6 years. The Exploration Permit is for limestone, silica and other quarry minerals. On June 28, 2004, the Mines & Geoscience Bureau issued a renewal of the permit. The Company during the term of the Exploration Permit undertook geological mapping, rock sampling and analysis and beneficiation testing. The preliminary exploration conducted by the Company indicates a considerable resource of limestone, silica and clay with potential commercial value. As of December 31, 2013, the Company's application to convert its Exploration Permit to Mineral Production Sharing Agreement (MPSA) remains pending with the Mines & Geosciences Bureau.

Meanwhile, on March 17, 2015 based on the Technical Report Economic Assessment and Coal Reserve Estimation of Bobog Coal Deposit, Semirara Island, Antique, Philippines, prepared by Engr. Rufino B. Bomasang, a Competent Person on Coal with Registration No. EM 00587-004/10 who consented to the filing of his report, which we quoted as follows: *“Based on our mine and pit design after modelling all the seams within the proposed pit, we estimate total mineable reserves of 71 million DMT, based on a cut-off thickness of 0.5 meters and a cut-off heating value of 7000 BTU per pound. These mineable reserves consist of 18 seams ranging in thickness from 0.5 to 22.8 meters. They have an average heating value of 9560 BTU per pound.*

Based on the October 2013 report of G B Baquiran and E J Crisologo, the reserves to have an average ash content of 10.0%, average sulfur content of 0.9% and average moisture content of 12.1% on an air dried basis.

The average stripping ratio after pre-stripping is 6.40 cubic meters of waste rock per metric ton of coal. On the other hand, the expanded pit has an estimated stripping ratio of 7.63. With an estimated overall mining and washing recovery of 90%, based on past experience at Panian, this translates to recoverable coal reserves of 64 million DMT. An upside of up to around 5.74 million DMT can be further produced at the west wall from coal lying underneath existing mine support infrastructure, which could be removed towards the last two years of the Bobog operation.”

As of December 31, 2015, development and mining preparatory activities such as construction of access roads, among others, are ongoing.

C. LEGAL PROCEEDINGS

The following are the existing legal cases of the Company:

1. **The HGL Case.** - Sometime in January 2004, the Company received a complaint filed by HGL Development Corporation (“HGL”). The facts are as follows:

On August 28, 1984, HGL entered into a Forest Land Grazing Lease Agreement (FLGLA No. 184) with the Department of Environment and Natural Resources (“DENR”) covering a 367-hectare land located at the barrios of Bobog and Pontod, Semirara, Antique. In its Order dated December 6, 2000, the DENR cancelled FLGLA No. 184 explaining that the subject area is within the coverage of Proclamation No. 649, which set apart the island of Semirara in the Province of Antique as coal mining reservations. HGL filed a letter requesting a reconsideration of the Order but the request was denied in the DENR's letter-Order dated December 9, 2002.

The Caloocan Case:

On November 17, 2003, HGL filed a complaint against the DENR for specific performance and damages in Branch 121, Regional Trial Court of Caloocan City (RTC-Caloocan). HGL prayed that DENR should perform its obligations under FLGLA No. 184 and pay HGL for moral and exemplary damages and attorneys' fees.

On March 2, 2004, the Company filed a Motion for Intervention because the Order canceling FLGLA No. 184 sought to be reconsidered by HGL covers property located in the island of Semirara, Antique, which was granted by RTC-Caloocan. Subsequently, the Company filed a Motion to Dismiss on the ground of lack of cause of action/jurisdiction and forum shopping. The Company's prayer for dismissal and its subsequent Motion for Reconsideration having been both denied, the Company filed its Petition for Review with the Court of Appeals (CA) on November 28, 2005 on the premise that RTC-Caloocan has no jurisdiction over the case.

On January 16, 2007, the CA reversed RTC-Caloocan's decision and finding grave abuse of discretion on the part of the presiding judge for failing to dismiss the case for lack of jurisdiction. The CA ruled that the DENR Order canceling the FLGLA No. 184 of HGL had long been final and executory on account of its failure to appeal said Order to the Office of the President. Eventually, HGL's Motion for Reconsideration was denied by the CA and accordingly dismissed the case.

Due to CA's denial of HGL's Motion for Reconsideration, a Petition for Certiorari (SC G.R. No. 177844, 2nd Division) was filed by HGL before the Supreme Court (SC) on November 14, 2007, which was denied by the SC for failure of HGL to sufficiently show any reversible error in the assailed CA decision and further denies HGL's motion for leave and first and second motions of time to file a reply to the Company's comments on the petition. HGL's Motion for Reconsideration was denied with finality by the SC on July 2, 2008.

Meanwhile, in a case docketed as SC G.R. No. 180401, 1st Division (*DENR vs. HGL*), DENR's Petition for Certiorari was denied by the SC on February 4, 2008. DENR then filed its Motion for Reconsideration on March 25, 2009, which later denied by the SC with finality.

Citing as basis the dismissal of the Culasi Case (SMC vs. HGL) on the ground of forum shopping, SMC filed a Motion to Dismiss with RTC-Caloocan (Civil Case No. C-20675). However, RTC-Caloocan denied the motion on December 24, 2008 and cited the SC decision on G.R. No. 180401 (*DENR vs. HGL*) to sustain its decision to retain jurisdiction over the case. With the denial of its MR on June 24, 2009 (CA-G.R. SP No. 110460). On October 3, 2013 the CA dismissed the Corporation's petition to which a Motion for Reconsideration was filed on November 22, 2013. The case is pending to date.

The Culasi Case:

HGL also filed a separate case against the Company on November 17, 2003 in Branch 13 of the Regional Trial Court of Culasi, Antique (RTC-Culasi) for the recovery of their alleged possession of a 367-hectare land located at the barrios of Bobog and Pontod, Semirara, Antique. HGL prayed for (i) the issuance of a preliminary mandatory injunction in order to secure immediate possession of the property pending litigation, and (ii) actual, moral and exemplary damages and attorney's fees in the total amount of P10 million. The Company received the summons on January 15, 2004.

On February 6, 2004, the Company filed its Answer and prayed for the outright dismissal of the case for being baseless and unfounded as the Order canceling FLGLA No. 184 had long been final and executory and can no longer be disturbed. The Company claims exemplary and moral damages and attorneys' fees.

On September 16, 2004, the RTC-Culasi granted HGL's prayer for preliminary mandatory injunction, which order was affirmed by the CA-Cebu. The Company elevated the case to the SC by way of Certiorari with prayer for Temporary Restraining Order (TRO) and/or Injunction to be issued against HGL, the CA-Cebu and RTC-Culasi. The SC initially granted the TRO on March 2, 2005, but on December 06, 2006, the SC denied the Company's Petition for Certiorari and lifted the TRO. On January 18, 2007, the Company filed a Motion for Reconsideration and later on January 25, 2007 due to the ruling by the CA in the Caloocan Case filed a Supplemental Motion

for Reconsideration. On February 14, 2007, the SC denied with finality the Company's Motion for Reconsideration and its supplement to the aforesaid motion for lack of merit.

Meanwhile, on July 16, 2007, the RTC-Culasi dismissed the main case, as the two (2) cases filed by HGL was a deliberate violation of the rule on forum shopping. RTC-Culasi further stated in its decision that in both cases, HGL's cause of action rests on the validity of its FLGLA No. 184. HGL filed its Motion for Reconsideration, but on November 20, 2007, RTC-Culasi ruled against HGL. No appeal was taken by HGL.

Thereafter, on February 5, 2008, HGL filed before the SC a Petition for Indirect Contempt docketed as "*HGL Development Corporation, represented by its President, Henry G. Lim, Petitioner vs. Hon. Rafael L. Penuela, in his capacity as Presiding Judge of RTC-Culasi, Antique, Branch 13, and Semirara Coal Corporation (now Semirara Mining Corporation, Respondents,*" SC G.R. No. 181353. HGL alleged, among others, that the dismissal of the Culasi case constitutes indirect contempt as HGL was not able to implement the SC's decision dated December 6, 2006 (affirming the earlier order of RTC-Culasi granting HGL's prayer for preliminary mandatory injunction) and resolution dated February 14, 2007, as RTC-Culasi dismissed the main case or the Culasi case on the ground of forum shopping. The Company filed its Comments/Opposition to the Petition. Subsequently, the SC required the parties to submit their respective Memoranda. The case is pending to date.

2. **Tax Refund/Credit Case.** - The Company filed several cases against the Commissioner of Internal Revenue (CIR) before the Court of Tax Appeals (CTA) for tax credit/refund due to erroneously withheld and remitted VAT on coal sales by National Power Company (NPC) to the Bureau of Internal Revenue in the total amount of ₱190,500,981.23.

2.1. *CTA Case No. 7717.* – On October 13, 2009, the CTA rendered its decision in favor of the Company for tax credit/refund in the amount of ₱11,847,055.07 covering the month of December 2005. On August 10, 2010 the CTA issued a Writ of Execution on its Decision. The Writ of Execution was served to BIR on August 13, 2010. On September 9, 2015, BIR released the Tax Credit Certificate (TCC) to the Company. The Company is now in the process of securing conversion of the TCC to cash with the BIR.

2.2. *Commissioner of Internal Revenue vs. Semirara Mining Corporation, SC G.R. No. 202534 (CTA EB No. 752).* – On January 4, 2011, the CTA rendered its decision in favor of the Company for tax credit/refund in the amount of ₱15,292,054.91 covering the month of January 2007. CIR's Motion for Reconsideration was denied on March 18, 2011. CIR appealed to CTA En Banc (CTA EB No. 752) but dismissed the CIR's petition. The CIR moved to reconsider the En Banc decision, but was denied on June 28, 2012. Thereafter, the CIR filed a Petition for Review on Certiorari with the Supreme Court (*G.R. No. 202534*). The petition remains pending to date.

2.3. *Commissioner of Internal Revenue vs. Semirara Mining Corporation, SC G.R. No. 202922 (CTA EB No. 772).* – On February 10, 2011, the CTA rendered its decision in favor of the Company for tax credit/refund in the amount of ₱86,108,626.10 covering January 1 to June 30, 2006. On February 22, 2011, as CIR's Motion for Reconsideration was denied, it elevated the case to the CTA En Banc (CTA EB No. 772), but denied by the CTA En Banc on June 22, 2012. The CIR filed for reconsideration but was denied on September 17, 2012. The CIR elevated the case to the Supreme Court (SC) via a Petition for Review on November 5, 2012 which was denied on January 30, 2013. On October 10, 2013 an Entry of Judgment was issued. The Company filed for issuance of a Writ of Execution with the CTA which was granted on January 21, 2014 and served to the CIR on April 27, 2015. CIR is now processing the TCC.

2.4. *Commissioner of Internal Revenue vs. Semirara Mining Corporation, SC G.R. No. 202922 (CTA EB No. 793).* - On March 28, 2011, the CTA rendered its decision in favor of the Company for tax credit/refund in the amount of P77,253,245.39 covering July 1 to December 31, 2006. After the CIR's Motion for Reconsideration was denied, CIR elevated the case to the CTA En Banc (CTA EB 793), which dismissed CIR's petition on April 23, 2012 for lack of merit. As the CIR's Motion for Reconsideration was likewise denied on May 29, 2012, it filed a petition with the Supreme Court (*G.R. No. 202922*). The Company filed a Comment

on December 28, 2012 to the CIR's Petition. On October 25, 2013, the SC issued a notice granting the CIR's Motion to Admit Reply and a copy of the Reply. The case remains pending to date.

3. **SMC vs. Municipality of Calaca, RTC- Makati City, Branch 137, Civil Case No. 07-180** (Business Tax Case). - On February 26, 2007, the Company filed a complaint to seek the reversal and cancellation of the tax assessment by the Municipality of Calaca for unpaid business tax for the CY 2003, 2004 and 2005 for ₱66,685,189.00. On May 28, 2014, the Court rendered its decision denying the Company's instant appeal, but required the Municipality of Calaca to make a re-assessment to conform to the proper sale allocations in accordance with Art. 243(b) of the IRR of the Local Government Code and further that its assessment be based on the proportion of the coal sales consummated in Calaca, Batangas. The Company filed a Petition for Review with the CTA appealing said decision on August 7, 2014. On November 24, 2015, the CTA 2nd Division rendered its Decision granting the Company's petition, reversing and setting aside the decision of the RTC. Thus, the Notice of Assessment dated November 21, 2006 issued by the Municipal Treasurer assessing the Company for delinquent tax for years 2003, 2004 and 2005 in the sum of ₱66,685,189.90 was set aside and nullified for lack of legal and factual basis.
4. **Power & Synergy, Inc. vs. SMC, et. al, RTC-QC, Branch 97, Civil Case No. Q-10-66936** (Specific Performance Case). – The complaint alleges fraudulent acts by the Company and its directors and officers, and prayed that defendants jointly and severally perform and comply with the terms and conditions under the Consultancy Agreement. PSI is claiming a success fee of ₱1.3 billion due to increase in coal volume sold to NPC by the end of 2010. In June 2, 2010, the Company moved for the dismissal of the complaint for lack of jurisdiction, improper venue in so far as other individual defendants are concerned, and that it states no cause of action. The RTC required PSI to pay the correct docket fees, but PSI moved for reconsideration, which was later denied by the Court. On August 22, 2014, the Company moved for the dismissal of the case for failure of PSI to comply with the order of the Court to pay the correct docket fees. On October 1, 2015, the Court issued an Order finding the motion of the Company to be meritorious and dismiss PSI's complaint with prejudice.
5. **Gabinete, et. al. vs. SMC, et. al, Civil Case No. 210-C, MCTC-Pandan, Antique** (Forcible Entry Case). – The complaint hinges from the alleged entry of the Company to a portion of plaintiffs' properties located in Barangay Alegria, Caluya, Antique. Plaintiffs' prayed to the Court to order defendants to vacate the properties and pay damages and attorney fees. On March 10, 2014 the Corporation submitted its affidavits and position paper as required by the Court. The case is submitted for resolution/decision of the Court.
6. **Gabinete, et. al. vs. SMC, et. al., Civil Case No. C-260, RTC-Culasi, Antique, Branch 13** (Annulment of Deeds of Sale Case). – The complaint seeks the annulment of deeds of sale plaintiff executed with the defendant George G. San Pedro covering parcels of land located in Brgy. Alegria, Caluya, Antique due to alleged unsound mind of the plaintiff at the time of execution. The case is still pending.
7. **Bornea, Jr., vs. SMC, et. al., NLRC-Cagayan de Oro City, NLRC Case No. RAB-IX-11-00663-11** (Illegal Dismissal Case). - This is an illegal dismissal case filed by Engr. Bornea docketed as with the Arbitration Branch of Davao seeking for his reinstatement as the Foreman Supervisor of the Company's mining facility in Caluya, Antique. Bornea alleged that there was no justifiable ground to dismiss and that due process was not observed. On April 24, 2012, the Labor Arbiter resolved to dismiss the complaint for lack of merit. Bornea appealed the case, but the NLRC-Cagayan de Oro City, which dismissed the appeal in its Decision dated December 28, 2012. On February 19, 2013, Bornea moved to reconsider the NLRC decision, but was denied on March 27, 2013. NLRC issued an Entry of Judgement on September 2, 2013. Despite this, Bornea filed with the CA a Petition for Certiorari under Rule 65, and the CA took cognizance of the case. On November 20, 2015, the CA denied Bornea's petition. The same remains pending to date.
8. **Semirara Mining Corporation vs. Bureau of Internal Revenue, et. al., Civil Case No. 13-1171, RTC-Makati, Branch 146** (Declaratory Relief with Injunction against BIR, etc.). – This is a case filed by the Company against the BIR, Bureau of Customs & Department of Finance under Civil Case No. 13-1171, RTC Makati Br. 146. On May 21, 2013 the Company was granted a Certificate of Qualification for Tax Exemption under PD 972 by the DOE for its 36,000,000 liters of

diesoline. The Company made 1st partial shipment of 6,176,367 liters. BIR assessed VAT and excise tax on said shipment in the amount of P27 million which was paid under protest. As a result, the Company filed a petition for Declaratory Relief with the RTC on October 3, 2013 seeking to enjoin BIR, BOC from implementing BIR RR No. 2-2012 by imposing advance payment of VAT on the Company's importation of diesel fuel for its own use and consumption. BIR rationalizes its issuance of RR No. 2-2012 for the purpose of curtailing smuggling. While under said regulations payment of VAT is subject to right of refund by the Company (effectively 0% rated) being exempted from VAT under its COC and PD 972, the Company contested the application of said regulation as it effectively diminishes its exemption granted by law and impairs the rights under its COC pursuant to the non-impairment clause of the Constitution. On October 30, 2013, the Company secured a 20-day TRO and on November 21, 2013 the court issued a preliminary injunction against the BIR, BOC and DOF in so far as the implementation of said regulation specifically against the Company. Defendants moved for reconsideration, but were denied by the Court on February 4, 2014. On February 10, 2014 the Court resolved to grant the Company's petition for declaratory relief and declared that in view of the tax exemption provided under PD 972 under the COC, Revenue Regulation No. 2-2012 issued by the respondents was held inapplicable to the Company's direct importation of petroleum products. As a result, the DOF and BOC filed a petition for review on certiorari under Rule 45 of the Rules of Court (ROC) with the SC on April 8, 2014 while the BIR on May 13, 2014 filed with the Court of Appeals a petition for review under Rule 65 of ROC with prayer of TRO and/or writ of preliminary injunction. To date, the cases remain pending with the SC and CA, respectively. Meanwhile, the Company filed a petition on September 2, 2015 with the CTA in view of the denial by the BIR of its claim for tax refund in the amount of PhP27,341,714.00 as VAT paid under protest. The petition is pending resolution by the CTA.

9. ***Fajardo vs. Semirara Mining Corp., et. al., Civil Case No. C-271, RTC-Culasi, Antique, Branch 13*** (Environmental Case (Writ of Kalikasan). – Was filed pursuant to Supreme Court A.M. 09-6-8-SC on Rules of Procedures for Environmental Cases (Rules). Complainant prayed for Temporary Environmental Protection Order (TEPO) for 72 hours from receipt of the complaint for the alleged irresponsible coal mining, serious destruction of the island, pollution of marine and coral reefs, damage to marine life, among others. Defendants filed their respective answer, but no TEPO has been issued by the RTC to date. On February 17, 2015, during the pre-trial conference, the plaintiff filed a Motion to Dismiss the complaint which the RTC granted in open court with the conformity of the Company. The order of dismissal issued by the RTC on same day, but copy thereof was received by the Company on July 8, 2015.

Except for the foregoing cases, the Company or its subsidiaries is not a party to any pending material legal proceedings. It is not involved in any pending legal proceedings with respect to any of its properties. Apart from the foregoing, therefore, it is not involved in any claims or lawsuits involving damages, which may materially affect it or its subsidiaries.

PART II – SECURITIES OF THE REGISTRANT

A. MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(1) Market Information

- (a) **Principal market where the registrant's common equity is traded.** - The Company is listed in the Philippine Stock Exchange (PSE). There has been no substantial trading since 1983 or 17 years. However in 2004, DMCI Holdings, Inc. (DHI) increased its shareholdings from 74.36% to 94.51%. The National Development Company (NDC) shares were decreased from 21.27% to 4.55% shares and the others from 4.3% to 0.94% shares. None of them sold their shares hence, no substantial trading occurred. These changes in the percentage of holdings resulted from the equity restructuring of the Company's authorized capital stock and the subscription of DHI of 19,120,581 additional shares in 2004.

In February 2005, new additional shares of 46,875,000 were sold to the public by the Company in its international offer. Also in the same public offering, DHI as selling shareholder sold 58,171,000 reducing its shareholdings from 94.51% to 60%.

On April 8, 2010, the Company sold through PSE its treasury shares equivalent to 19,302,200 at ₱67.00 per share. In June 2010, by way of Stock Rights Offering, the Company offered for subscription 59,375,000 common shares to eligible existing stockholders at the ratio of 1:5 shares as of record date, July 1, 2010.

The market capitalization of the Company as of end-2015, based on the closing price of ₱136.50 is approximately ₱145.88 billion. As of March 10, 2015, the Company's capitalization stood at ₱138.94 billion based on the ₱130.00/share closing price.

- (b) The Company's security was traded at the PSE at a price of ₱0.40/share on December 23, 2002. There was no trading of the Company's securities in 2003 and 2004. The highs and lows (in Pesos) of trading during the past three (3) years are as follows:

	High	Low	Close
2016			
Jan-Mar ⁵	136.50	117.50	130.00
2015			
Jan-Mar	168.70	140.00	167.00
Apr-Jun	169.60	136.20	142.50
Jul-Sep	147.00	110.80	136.10
Oct-Dec	143.00	128.80	136.50
2014			
Jan-Mar	139.33	93.67	136.67
Apr-Jun	139.67	116.67	122.13
Jul-Sep	143.80	116.67	123.00
Oct-Dec	142.10	115.90	142.00
2013			
Jan-Mar	267.40	220.00	267.40
Apr-Jun	305.80	225.00	276.80
Jul-Sep	265.00	222.60	240.00
Oct-Dec	306.00	240.40	288.00

- (2) **Holders.** – As of March 10, 2016 the Company has 677 shareholders, with 1,068,750,000 common shares issued and outstanding.

Title Of Class	Name	Number Of Shares Held	% of Total
Common	DMCI Holdings, Inc.	601,942,599	56.32
Common	PCD Nominee Corp. (Filipino)	151,451,253	14.17
Common	Dacon Corporation	130,825,527	12.24
Common	PCD Nominee Corp. (Foreign)	112,234,004	10.50
Common	Others	72,296,617	06.76

Names of Top Twenty (20) Stockholders as of March 10, 2016:

No.	Name of Stockholders	No. of Shares	Percentage ⁶
1.	DMCI Holdings, Incorporated	601,942,599	56.32
2.	PCD Nominee Corp. (Filipino)	151,451,253	14.17
3.	Dacon Corporation	130,825,527	12.24
4.	PCD Nominee Corp. (Foreign)	112,234,004	10.50
5.	Privatization Management Office	36,402,324	3.41
6.	DFC Holdings, Inc.	20,591,229	1.93
7.	Freda Holdings, Inc.	4,612,883	0.43
8.	Regina Capital Development Corp.	2,409,000	0.23
9.	Fernwood Investments, Inc.	2,389,002	0.22
10.	Guadalupe Holdings Corporation	1,581,414	0.15
11.	Double Spring Investments Corp.	1,348,992	0.13

⁵ As of March 10, 2016.

⁶ Based on the Corporation's issued and outstanding shares recorded with its Stock and Transfer Agent.

12.	Augusta Holdings, Inc.	760,425	0.07
13.	Berit Holdings Corp.	452,811	0.04
14.	Meru Holdings, Inc.	346,800	0.03
15.	Cobankiat, Johnny O.	278,760	0.03
16.	Vendivel, Olga P.	240,000	0.02
17.	Garcia, Jaime B.	120,090	0.01
18.	Windermere Holdings Inc.	105,231	0.01
19.	Fernwood Investments Inc.	84,327	0.01
20.	Dizon, Willy O. Dizon or Nene C.	64,000	0.01

- (i) The table sets forth the record or beneficial owners of more than 5% of the outstanding common shares of the Corporation, which are entitled to vote and the amount of such record or beneficial ownership as of March 10, 2016:

Title Of Class	Names	No. Of Shares	% of Total
Common	DMCI Holdings, Inc.	601,942,599	56.32
Common	PCD Nominee Corp. (Filipino)	151,451,253	14.17
Common	Dacon Corporation	130,825,527	12.24
Common	PCD Nominee Corp. (Foreign)	112,234,004	10.50

- (ii) each director and nominee

Office	Names
Chairman & CEO	Isidro A. Consunji
Vice-Chairman, President & COO	Victor A. Consunji
Director	Cesar A. Buenaventura
Director/VP-Operations & Resident Manager	George G. San Pedro
Director	Jorge A. Consunji
Director	Herbert M. Consunji
Independent Director	Victor C. Macalincag
Independent Director	Rogelio M. Murga
Director & EVP	Maria Cristina C. Gotianun
Director	Ma. Edwina C. Laperal
Director	Josefa Consuelo C. Reyes

- (iii) all directors and officers as a group, and the registrant's present commitments to such persons with respect to the issuance of any class of its common equity.⁷

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership			Citizenship	%
		Direct	Indirect ⁸	Total		
Common	Isidro A. Consunji	6,036	969,918	975,954	Filipino	0.09
Common	Cesar A. Buenaventura	18,030	-	18,030	Filipino	0.00
Common	Victor A. Consunji	36	1,581,414	1,581,450	Filipino	0.15
Common	Jorge A. Consunji	36	317,659	317,695	Filipino	0.03
Common	Herbert M. Consunji	32,280	-	32,280	Filipino	0.01
Common	Victor C. Macalincag	808,890	19,100	827,990	Filipino	0.08
Common	George G. San Pedro	120,090	-	120,090	Filipino	0.01
Common	Rogelio M. Murga	10,010	-	10,010	Filipino	0.00

⁷ See also the beneficial ownership under Part IV(C)(2), pg. 46.

⁸ Shares are either held by members of the family sharing the same household or by a corporation of which the reporting person is a controlling shareholder.

Common	Maria Cristina C. Gotianun	357	1,300,659	1,301,016	Filipino	0.12
Common	Ma. Edwina C. Laperal	1,047	1,345,872	1,346,919	Filipino	0.13
Common	Josefa Consuelo C. Reyes	103,100	346,800	449,900	Filipino	0.04
Common	Jaime B. Garcia	144,108	-	144,108	Filipino	0.01
Common	Nena D. Arenas	4,000	-	4,000	Filipino	0.00
Common	Antonio R. Delos Santos	15,000	-	15,000	Filipino	0.00
Common	Jose Anthony T. Villanueva	750	13,890	14,640	Filipino	0.00
Common	Sharade E. Padilla	1,800	270	2,070	Filipino	0.00
Aggregate Ownership of all directors and officers as a group		1,265,570	5,895,582	7,161,152	Filipino	0.67

- (3) **Dividends.** - On April 4, 2005 the Board approved the Company's Dividend Policy, which adopted a minimum of 20% of Net Profit After Tax starting from the period ending December 31, 2005; provided, however, that the Board of Directors shall have the option to declare more than 20% if there is excess cash and less than 20% if no sufficient cash is available. Below are dividends declared for the past two (2) years:

Year	Board Approval	Nature	Dividend/Share (PHP)	Total Amount of Dividend (PHP)	Record Date	Payment Date
2015	4-22-2015	Cash	4.00	4,275,000,000.00	5-7-2015	5-20-2015
2014	4-29-2014	Cash	12.00	4,275,000,000.00	5-15-2014	5-28-2014
2014	3-6-2014	Stock ⁹	200%	n/a	9-8-2014	9-24-2014

- (4) **Recent Sales of Unregistered Securities.** - No unregistered securities were sold in 2015, 2014 and 2013.

PART III - FINANCIAL INFORMATION

A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (YEARS 2012-2015)

Full Years 2014-2015

I. PRODUCTION – COMPARATIVE REPORT 2015 vs 2014

Coal

Coal production dropped 1% YoY to 7.98 million metric tons (MTs) from 8.08 million MTs in 2014, with strip ratio registering at 10.39:1, improved by 15% from last year's 12.26:1.

The company voluntarily suspended its operation immediately following a slide in the northern edge of Panian mine on 17 July before the receipt of the Department of Energy (DOE) suspension order later in the day. The Department of Environment and Natural Resources (DENR), on the other hand, issued a Cease and Desist Order on 21 July. Nine of the company's personnel perished, while five dump trucks, one excavator and one wheel dozer were damaged in the accident. The suspension orders were lifted after thorough investigation showed that the Company has complied with the strengthened mining safety protocols recommended by the DOE and experts. DENR lifted its suspension on 10 August, while DOE rescinded their suspension order on 18 September.

Due to the temporary halt in operations, total materials moved decreased 14% YoY to 88.62 million bank cubic meters (bcm) from 103.30 million bcm in 2014. This volume is inclusive of 6.7 million bcm of materials unloaded as additional safety measure in compliance with the new pit slope safety parameters recommended by DOE and the safety consultants engaged by the Company after the slide.

Safety equipment and personnel were augmented to intensify mine safety efforts. Two units of Slope Stability Radar (SSR) systems were acquired to complement the existing Robotic Total Station for real time, 24-hour slope movement monitoring. The SSR is a state-of-the-art technology for monitoring mine walls and general slopes and is now a generally-accepted tool for high-risk slope management.

⁹ Approved by the Stockholders on May 5, 2014.

Mine safety protocol was also revised and improved with the hiring of a full time geotechnical consultant and additional safety personnel. Safety training hours during the year constituted 70% or 26,898 out of the 38,576 training hours.

Coal sales volume dropped by 5% YoY at 8.43 million MTs from 8.89 million MTs in 2014. Lower sales resulted to higher ending inventory at 829 thousand MTs, 115% higher than last year's 386 thousand MTs.

The table below shows the comparative production data for FY 2015 and 2014.

COMPARATIVE PRODUCTION DATA											
<i>(in '000, except Strip Ratio)</i>											
	Q1 '15	Q2 '15	Q3 '15	Q4 '15	FY '15	Q1 '14	Q2 '14	Q3 '14	Q4 '14	FY '14	%Inc (Dec)
Total Materials (bcm)	26,284	27,800	9,529	25,005	88,618	28,135	26,385	22,745	26,032	103,297	-14%
Gross Product Coal (MT)	2,325	2,134	1,113	2,408	7,979	2,353	2,513	2,145	950	7,961	0%
Strip Ratio	10.59:1	12.31:1	7.85:1	9.67:1	10.39:1	10.69:1	9.20:1	9.09:1	24.60:1	12.26:1	-15%
Net TPC (MT)	2,302	2,112	1,182	2,384	7,980	2,329	2,488	2,123	1,144	8,084	-1%
Beg. Inventory (MTs)	386	317	634	748	386	1,277	1,279	1,623	1,966	1,277	-70%
End Inventory (MTs)	317	634	748	829	829	1,279	1,623	1,966	386	386	115%

SCPC

Both power units were operating reliably in 2015, registering record high gross generation which increased 39% YoY at 3,959 GWh from 2,840 GWh last year. The significantly lower generation in 2014 was due to the prolonged shut down for maintenance and installation of the new Distribution Control System (DCS) of Unit 2 last year which lasted to around six months.

Unit One

Gross generation of Unit 1 increased 7% YoY to 1,819 GWh from 1,698 GWh generations last year. Average capacity decreased this year to 228 MW from 230 MW in 2014. High grade coal from Semirara improved the capacity of the plant in the first half of the year, however average capacity slightly dropped to 202 MW in second half of the year due to the slagging/fouling observed in the unit. Capacity factor is also up at 69% as of the end of current year, as against 65% last year.

Availability of the plant increased 8% YoY to 91% this year from 84% in 2014. Unplanned outages significantly dropped by 68% YoY to 429 hours from 1,335 hours last year when the plant incurred more downtimes in April and June for tube leaks repairs.

Unit Two

Gross generation of Unit 2 surged 87% YoY to 2,140 GWh from 1,141 GWh last year as availability and average capacity registered record high. Conversely, generation in 2014 was low as the planned outage, mainly to give way for the installation of a new Distribution Control System (DCS) was prolonged. The commissioning of the plant was delayed and it only started to synchronize to the grid on 13 June as problems on the installation and fine tuning of the DCS were encountered. The unit only stabilized in the second half of the year, with dependable capacity reaching its rated capacity of 300 MW. Average capacity improved to 291 MW this year from 259 MW last year. Capacity factor also improved, registering at 81% this year from only 43% in 2014.

Availability of the plant increased to 84% in the current period from only 50% last year. Unplanned outages this year registered at 673 hours.

The table below shows the comparative production data for 2015 and 2014.

COMPARATIVE PLANT PERFORMANCE DATA											
CUSTOMER	Q1 '15	Q2 '15	Q3 '15	Q4 '15	FY '15	Q1 '14	Q2 '14	Q3 '14	Q4 '14	FY '14	% Inc (Dec)
Gross Generation, GWh											
Unit 1	456	495	450	419	1,819	455	327	428	489	1,698	7%
Unit 2	558	656	549	376	2,140	33	77	428	603	1,141	87%
Total Plant	1,014	1,151	998	795	3,959	489	404	855	1,092	2,840	39%
% Availability											
Unit 1	77%	91%	96%	100%	91%	89%	63%	85%	100%	84%	8%
Unit 2	91%	100%	85%	60%	84%	6%	20%	76%	98%	50%	67%
Total Plant	84%	96%	90%	80%	87%	48%	41%	81%	99%	67%	30%
Capacity Factor											
Unit 1	70%	75%	68%	64%	69%	70%	49%	65%	75%	65%	7%
Unit 2	86%	99%	83%	57%	81%	5%	12%	65%	92%	43%	87%
Total Plant	78%	87%	75%	61%	75%	38%	30%	65%	83%	54%	39%

SLPGC

The 2 x 150 MW power plants started testing and commissioning in 2015. The first and second units were synchronized to the grid on 7 July and 16 August, respectively.

While on testing and commissioning, both units generated a total of 211 GWh. Although, the two units reached their maximum capacity of 150MW in September and December, respectively, this was not sustained, thus both units are still on commissioning and have not been officially declared commercial operations and achieved TOC (Turn-over Certificate) or final acceptance.

II. MARKETING – COMPARATIVE REPORT YTD 2015 vs. YTD 2014

Coal

Coal sales declined 5% YoY to 8.43 million MTs from 8.89 million MTs in 2014.

Sales to local customers increased 46% YoY to 5.32 million MTs from 3.64 million MTs in 2014, while export sales dropped by 41% YoY to 3.11 million MTs from 5.25 million MTs last year.

Power plant sales took up the biggest market share this year of 47% at 3.93 million MTs, up by 68% YoY from only 2.34 million MTs of coal sold to power plants in 2014. Deliveries to Calaca surged by 78% YoY to 2.70 million MTs from 1.51 million MTs last year as power Units 1 and 2 are operating with minimal downtime in the current period as compared to the previous year. Sales to other power plants likewise increased significantly by 50% YoY to 1.24 million MTs from 825 thousand MTs last year. The growth mainly came from additional capacities and increase in the plants' usage ratio between Semirara coal and imported coal.

Cement companies also increased their volume by 17% YoY to 1.03 million MTs from 875.04 thousand last year due to higher demand for cement this year for infrastructure projects as well as increase in blend ratio of Semirara coal against imported coal. Cement industry's market share rose from 10% last year to 12% of total sales this year.

On the contrary sales to other industrial plants decreased by 16% YoY to 362 thousand MTs from 432 thousand MTs last year with lesser off-take by some customers.

Market share of export sales dropped to 37% from 59% last year. Domestic demand was significantly lower last year as Calaca Unit 2 was on protracted shutdown, hence more coal was available for export. Moreover, local deliveries were given priority over existing inventory as export shipment were put on hold while the mining operations were suspended after the incident, in compliance with the directive issued by DOE.

Composite average FOB price per MT decreased 9% YoY to PHP1,943 from PHP2,127 last year as global coal prices continue to drop.

The table below shows the comparative sales volume data for 2015 and 2014.

CUSTOMER	Q1 '15	Q2 '15	Q3 '15	Q4 '15	FY '15	%	Q1 '14	Q2 '14	Q3 '14	Q4 '14	FY '14	%	%Inc (Dec)
Power Plants													
Calaca	666	626	661	743	2,696	32%	334	238	377	562	1,510	17%	78%
Other PPs	313	307	306	312	1,237	15%	165	175	243	242	825	9%	50%
TOTAL PPs	980	932	966	1,055	3,933	47%	499	413	620	804	2,336	26%	68%
Other Industries													
Cement	278	246	278	224	1,027	12%	242	219	178	236	875	10%	17%
Others	93	114	91	65	362	4%	106	85	114	127	432	5%	-16%
Total Others	371	360	369	289	1,389	16%	348	304	292	363	1,307	15%	6%
TOTAL LOCAL	1,351	1,292	1,336	1,344	5,323	63%	847	716	912	1,167	3,643	41%	46%
EXPORT	1,054	534	562	956	3,105	37%	1,462	1,407	846	1,531	5,246	59%	-41%
GRAND TOTAL	2,404	1,826	1,898	2,300	8,428	100%	2,309	2,124	1,758	2,698	8,889	100%	-5%

POWER

SCPC's sales increased 11% YoY to 3,754 GWh from 3,383 GWh last year as both power plants are fully operational this year. The lower energy generation last year is a result of the prolonged testing and commissioning of the DCS for Unit 2 and higher forced outage for Unit 1.

Of the total energy sold, 95% or 3,581 GWh were sold to bilateral contracts and the remaining 5% to the spot market.

MERALCO remained to be the single biggest customer, accounting for 82% of the total energy sales of the bilateral contracts; BATELEC I and Trans-Asia comprised 5% and 8%, respectively.

Spot Market Sales is higher by 226% YoY at 173 GWh against 53 GWh last year.

Of the total energy sold, 99.4% was sourced from own generation, while only 0.6% was purchased from the spot market. SCPC procured power from the spot market during hour intervals where power units were down, or when the plants were running at de-rated capacities, in order to be able to supply committed capacity to some of its customers.

Average price for bilateral contracts dropped 6% YoY to PHP3.33/KWh in the current year from PHP3.55/KWh last year. The contracts index Newcastle prices have been declining in the current semester against last year.

The table below shows the comparative marketing data for 2015 and 2014.

COMPARATIVE PLANT PERFORMANCE DATA											
<i>(in GWh ; PHP)</i>											
CUSTOMER	Q1 '14	Q2 '14	Q3 '14	Q4 '14	FY '14	Q1 '14	Q2 '14	Q3 '14	Q4 '14	FY '14	%Inc (Dec)
Bilateral Contracts	902	1,031	937	710	3,581	413	886	966	1,065	3,330	8%
Spot Sales	80	65	20	8	173	11	-	15	27	53	226%
Grand Total	982	1,096	957	719	3,754	425	886	981	1,091	3,383	11%
Composite Ave. Price	3.56	3.37	3.30	3.40	3.41	4.40	3.73	3.50	3.40	3.64	-6%

SLPGC

While on testing and commissioning, SLPGC sold the power generated by both plants to the spot market. As the two units were expected to be commercially available by second half of 2015, power supply contracts were already negotiated to put them in place just in time for its commercial operation. The delay of the commissioning prompted the company to serve a replacement power contract out of the generated power while still on commissioning, through a non-firm supply contract.

Total energy sold recorded at 209 GWh at an average composite price of PHP3.51/KWh.

The Company already secured supply contracts during the period with three customers totaling to 222 MWs. The contract terms range between two to five years.

III. FINANCE

A. Sales and Profitability

Consolidated Revenues, net of eliminating entries, dropped 14% YoY at PHP24.68 billion in 2015 from PHP28.59 billion in the previous year. Before eliminations, Coal Revenues decreased 28% YoY at PHP16.37 billion from PHP18.91 billion last year. The decrease is due to lower sales volume by 5% and decline in composite average price to PHP1,943 from PHP2,127 last year. On the contrary, higher energy sales pushed SCPC Revenues up by 5% YoY at PHP 12.80 billion from PHP12.31 billion despite lower average price per KWh at PHP3.41 against PHP3.64/KWh last year. The pre-operating Southwest Luzon Power Generation Corp. (SLPGC), a wholly-owned subsidiary of the Company incorporated to expand its power capacity with the construction of 2 x 150 MW power plants generated Revenues of PHP110.09 million this year while on testing and commissioning.

Consolidated Cost of Sales dropped 44% YoY to PH10.54 billion from PHP18.93 billion last year. Depreciation dropped 12% YoY to PHP1.74 billion from PHP1.98 billion last year.

Before eliminations, coal Cost of Sales decreased 29% YoY to PHP8.63 billion from PHP12.23 billion last year. This is due to lower strip ratio, the decline in volume sold combined with lower shipping costs and drop in oil prices. Cost of coal sold per MT reduced by 29% YoY at PHP1,062 from PHP1,376 last year. Coal depreciation decreased 39% YoY to PHP702.59 million from PHP1,154.69 million last year.

SCPC's Cost of Sales before elimination decreased 32% YoY to PHP6.35 billion from PHP9.35 billion; and 52% YoY after elimination to PHP4.13 billion from PHP8.70 billion last year. The Company was exposed to higher cost of replacement power in 2014 and incurred net loss of PHP2.1 billion from replacement power, when the plants used up the allowable downtime provided by the terms of the power supply contracts. Since both power units are operating reliably this year, costs are kept at their normal levels. Cost of Sales per Kwh is 38% lower YoY at PHP1.69 from PHP2.75 last year. SCPC's depreciation increased 10% YoY at PHP1.02 billion from PHP0.93 billion last year.

The resulting consolidated Gross Profit increased 47% YoY to PHP14.14 billion, with coal, SCPC and SLPGC each contributing PHP5.39 billion, PHP8.66 billion and PHP108.96 million, respectively. Last year's consolidated Gross Profit stood at PHP9.66 billion, PHP5.28 billion from coal and PHP1.59 billion from SCPC. Consolidated Gross profit margin rose to 57% from 34% last year.

Consolidated Operating Expenses (OPEX) increased by 36% YoY to PHP4.39 billion from PHP3.22 billion. Net of eliminating entries, the coal segment's OPEX increased 3% YoY to PHP2.32 billion from PHP2.27 billion last year. This mainly accounts for the tax assessment for year 2010 and 2011 totaling to PHP81.70. Meanwhile, SCPC's OPEX after elimination, which is mainly comprised of management fees and taxes and licenses, increased by 113% YoY to PHP1.98 billion from PHP926.36 million last year mainly due to full provision for allowance for the questioned PEMC receivables on electricity sold on spot last November and December 2013 amounting to P896.14 million. SLPGC incurred PHP91.37 million in OPEX, 132% up from 2014 OPEX of PHP39.33 million, representing non-capitalizable expenses recorded during each respective period. Other pre-operating subsidiaries incurred combined OPEX of PHP4.56 million.

Consolidated Forex Losses stood at PHP300.06 million, almost five times higher YoY from PHP52.14 million last year due to unrealized valuation losses. The peso is weaker this year, closing at USD1: PHP47.06, as against USD1: PHP44.72 as at end of 2014. Coal recorded Forex losses of PHP327.98 million as against PHP61.85 million last year as a result of the valuation of its USD denominated loans and foreign currency denominated transactions. SCPC meanwhile recorded gains this year of PHP 30.47 million versus losses of PHP14.45 million last year on its foreign currency denominated transactions. SLPGC also incurred FOREX losses of PHP2.55 million in the current period, as against gains of PHP24.15 million last year.

Higher cash levels offset lower placement interest rates, resulting to 39% increase YoY on consolidated Finance Income to PHP57.56 million from PHP41.45 million last year. Coal, SCPC and SLPGC earned PHP22.52 million, PHP16.56 million and PHP18.18 million Finance Income, respectively.

Consolidated Finance Costs dropped 14% YoY to PHP278.19 million from PHP323.23 million last year due to continuous repayment of loans. The Company only started accumulating loans again in the second half of 2015.

Coal's interest-bearing loans rose 20% YoY to PHP6.21 billion from PHP5.15 billion last year, resulting to an 8% increase YoY in Finance Cost to PHP129.65 million from PHP119.94 million last year. Meanwhile, after servicing its long-term loan and paying off its short-term loans, SCPC's interest-bearing loans declined 62% YoY to PHP2.30 billion from PHP3.82 billion last year; its Finance Cost decreased 26% YoY to PHP147.23 million from PHP197.73 million last. The benchmark of SCPC's long-term loan is changed to PDST-R2 from PDST-F, while margin is increased from 100bps to 120bps. On the contrary, SLPGC's loans increased 14% YoY to PHP11.50 billion from PHP10.09 billion last year, but Finance Cost dropped 66% to PHP1.78 million from PHP5.26 million last year due to capitalization of interest expenses.

Consolidated Other Income increased 114% YoY to PHP440.68 million from PHP205.49 million last year. The coal segment's Other Income in the current period rose 170% to PHP248.34 million from PHP92.01 million last year; this mainly accounted for insurance recoveries and gain on sale of miscellaneous assets. SCPC's Other Income likewise increased 10% YoY to PHP125.19 million from PHP113.48 million last year. Both power units are operating regularly this year, unlike last year, thus producing more fly ash that is marketed as cement additive. SLPGC also recorded other income of PHP58.33 million representing power sold during plant commissioning.

The resulting consolidated Net Income Before Tax (NIBT) increased 53% YoY to PHP9.67 billion from PHP6.31 billion in 2014.

Consolidated Provision for Income Tax surged to PHP1.18 billion from net deferred tax of PHP552.87 million last year. Coal continues to enjoy Income Tax Holiday (ITH) as a Board of Investments-registered company, while SCPC is now in a tax position. As a result, coal's tax provision remained minimal at PHP37.78 million, while SCPC recognized tax exposure of PHP1.22 billion in 2015. Notably however, SCPC has Deferred Tax Assets as at end 2014 amounting to PHP635.64 million to partially cover the tax liability in the current period. SLPGC recorded final income tax of PHP3.64 million.

The resulting consolidated Net Income After Tax (NIAT) increased 24% YoY to PHP8.47 billion from PHP6.85 billion last year. Net of eliminations, coal generated net income of PHP2.91 billion, while SCPC generated PHP5.50 billion. Pre-operating SLPGC recorded PHP85.89 million income after generating sales while on commissioning; last year it recorded non-capitalizable project expensed of PHP29.26 million. Before eliminations, coal and SCPC recorded NIAT of PHP6.75 billion and PHP3.32 billion, respectively. With higher outstanding shares after a 200% stock dividend declaration in Q3 last year, Earnings per Share (EPS) stood at PHP7.94, 23% more than same period last year's adjusted EPS of PHP6.42.

B. Solvency and Liquidity

Internal cash generation in the first nine months of operations this year amounted to PHP10.68 billion. Consolidated loan availments amounted to PHP9.88 billion, broken down as follows: coal's medium-term loan fund maintenance CAPEX amounting to PHP7.22 billion, SCPC's short-term working capital loans of PHP1.80 billion, and SLPGC's remaining project finance line of PHP1.01 billion. Coal received PHP76.46 million from sale of retired assets and SCPC receipt of the adjustment of the Sinking Fund of PHP61.55 million Combined with beginning Cash of PHP3.68 billion, total consolidated Cash available during the period stood at PHP24.40 billion.

Of the available cash, PHP5.04 billion was used to fund major CAPEX and Exploration Assets, PHP2.52 billion, PHP1.0 billion, and PHP1.52 billion for coal, SCPC, and SLPGC, respectively.

Meanwhile, PHP10.01 billion was spent for debt repayments, PHP6.34 billion by coal and PHP3.76 billion by SCPC.

The Company declared and paid cash dividends during the period amounting to PHP4.28 billion.

Net increase in consolidated Cash during the period stood at PHP1.06 billion. Consolidated Ending Cash closed at PHP4.75 billion, posting a 29% growth from beginning balance of PHP3.68 billion. Coal, SCPC,

and SLPGC recorded ending cash of PHP2.64 billion, PHP881.39 billion, and PHP1.20 billion, respectively. Other pre-operating business closed the period with a total cash balance of PHP22.77 billion

Consolidated Current ratio slightly dipped to 0.97x from 1.05x as at the start of the year mainly due to more payables recorded related to the 2x150MW power project which is still under commissioning stage as of the close of the year.

C. Financial Condition

Consolidated Total Assets increased by 10% YoY at PHP57.16 billion, from PHP51.90 billion as at end 2014. After eliminations, Coal and SCPC's Total Assets closed at PHP14.91 billion and PHP19.20 billion, respectively. Pre-operating SLPGC, SBPG, SRPG, SCS, SEU, SCRC and SCIP recorded Total Assets of PHP21.90 billion, PHP3.19 million, PHP195.54 million, PHP131.41 million, PHP3.34 million, PHP7.64 million and PHP2.67 million, respectively.

Consolidated Current Assets closed at PHP15.09 billion, increasing by 18% from PHP12.77 billion at the start of the year. Coal, SCPC, SLPGC, and other pre-operating subsidiaries accounted for PHP7.33 billion, PHP4.50 billion, PHP3.24 billion, PHP 20.11 million respectively.

Consolidated Cash and Cash Equivalents grew 29% YoY to PHP4.75 billion from PHP3.68 billion beginning balance. The Coal segment's cash increased 40% YoY to PHP2.64 billion from PHP1.89 billion as at the start of the year, despite additional equity infusion to SLPGC and dividend payout. Meanwhile, SCPC's strong income generation beefed up its cash position to more than double the beginning level at PHP881.39 million from PHP390.38 million beginning balance. Meanwhile, SLPGC's undisbursed cash from availing of project finance facility by the expansion project dropped to PHP1.20 billion from PHP1.38 billion as at the start of the year.

Consolidated Receivables dropped by 34% to PHP27.81 billion from PHP41.3 billion beginning balance. The coal segment's receivables of PHP1.35 billion is mainly trade related. Power receivables decreased 54% to PHP1.19 billion from PHP2.59 billion as at the start of the year. These mainly account for the provision for possible uncollectibility of the questioned spot sales in Q4 2013. Due to a wide gap in power demand and supply in the last two months of 2013, spot prices surged. While the Energy Regulatory Commission issued a resolution invalidating market prices on November and December 2013, and instead imposed administrative pricing, a case is still pending before the Supreme Court on the issue. The company is still waiting for further development of the case. SLPGC recorded PHP245.99 million in Trade Receivables for sales realized during plant commissioning.

Inclusive in the receivables is Due from Affiliated Companies, which increased 3% YoY to PHP68.83 billion from PHP67.15 billion as at end 2014.

Consolidated Net Inventories increased 57% to PHP4.38 billion from PHP2.79 billion as at the start of the year. The coal segment's ending inventory surged 82% to PHP2.59 billion from beginning balance of PHP1.42 billion. This is comprised of cost of ending coal inventory of PHP1.42 billion for 829 thousand MTs clean coal and 938 thousand MTs unwashed coal from 386 thousand MT beginning of the year and materials spare parts, fuel, and supplies amounting to PHP1.17 billion, net of valuation allowance of PHP66.15 million. Meanwhile SCPC's Inventory of PHP1.65 billion is mainly comprised of coal inventory and spare parts inventory for corrective, preventive and predictive maintenance program, as well as parts needed for the scheduled shutdown in the second half. SLPGC's inventory of PHP237.26 million is comprised mostly of tools and spare parts.

Consolidated Other Current Assets increased by 26% to PHP2.72 billion from PHP2.17 billion beginning balance. The coal segment's Other Current Assets of PHP759.43 billion is mainly comprised of advances to suppliers for importations and down payment for contracted services amounting to PHP318.51 million and prepaid income taxes of PHP436.39 million. On the other hand, SCPC's Other Current Assets of PHP353.36 million mainly accounted for advances to suppliers and prepaid expenses. SLPGC recorded Other Current Assets of PHP1.64 billion, accounted for advances to suppliers and VAT input taxes for PHP820.20 million and PHP790.48 million.

Investment in Sinking Fund decrease to PHP460.23 million from PHP521.78 million beginning balance. The decrease accounted for the adjustment made for the year on the sinking fund maintained by SCPC.

Consolidated Non-Current Assets increased 8% to PHP57.16 billion from PHP51.90 billion as at the start of the year. Coal, SCPC, SLPGC, SRPGC, and SCS accounted for PHP7.58 billion, PHP15.50 billion, PHP18.67 billion, PHP192.35 million and PHP128.52 million, respectively.

Consolidated net PPE slightly increased by 7% to PHP36.74 billion from PHP34.45 billion beginning balance due to accounting of additions, offset by depreciation. Coal, SCPC, SLPGC, and SRPGC accounted for net PPE of PHP4.39 billion, PHP14.86 billion, PHP17.45 billion, and PHP171.74 million respectively.

Consolidated Deferred Tax Assets dropped 24% to PHP535.54 million from PHP704.20 million beginning balance after applying Deferred Tax Assets of SCPC for losses incurred in purchase of replacement power to service bilateral power supply contracts in 2014 to income tax payable net of the additional Deferred Tax Assets for the additional provision for possible loss on receivable from PEMC. Coal, SCPC, SLPGC, SCS and SEU closed the period with Deferred Tax Assets of PHP109.97 million PHP423.02 million, PHP2.06 million, PHP62.95 thousand, and PHP139.17 thousand respectively.

Exploration and Evaluation Asset increased 58% to PHP3.02 billion from PHP1.91 billion beginning balance. This accounted for the exploratory drilling and pre-stripping activities in Narra mine (previously Bobog mine), which is scheduled to be in commercial operation by the end of 2016.

Consolidated Other Non-Current Assets increased 15% to PHP1.77 billion from PHP1.54 billion last year. This is mainly comprised of receivable input VAT and deferred input VAT on capitalized assets amounting to PHP1.22 billion. Coal, SCPC, SLPGC, SRPG, and SCS accounted for Other Non-Current Assets of PHP190.25 million, PHP8214.49 million, PHP1.22 billion, PHP20.61 million, and PHP128.17 million, respectively.

Consolidated Total Liabilities increased slightly by 4% to PHP30.26 billion from PHP29.20 billion beginning balance. Coal, SCPC, SLPGC and SRPGC, accounted for PHP12.46 billion, PHP4.03 billion, PHP13.57 billion and PHP192.38 million, respectively.

Consolidated Total Current Liabilities grew by 34% to PHP16.32 billion from PHP12.14 billion as at the start of the year. This is due to increase in short-term loans and current portion of long-term debts. Coal, SCPC, and SLPGC accounted for PHP9.42 billion, PHP3.24 billion, and PHP3.46 billion, respectively.

Trade and Other Payables dropped by 16% to PHP7.37 billion from PHP8.81 billion beginning balance. The decrease is mainly due to payment of trade payables by parent and SLPGC. Coal, SCPC, and SLPGC respectively accounted for PHP4.46 billion, PHP1.71 billion, and PHP1.01 billion, respectively.

Included in the Trade and Other Payables is Due to Affiliated Companies which rose by 78% to PHP1.32 billion from PHP738.81 million beginning balance. This accounted for supply of materials, services, construction and management contract with affiliated companies.

Short-term loans, which represent working capital loans of the coal segment, increased by 146% to PHP2.99 billion from PHP1.22 billion beginning balance as coal converted some of its USD-denominated loans to peso towards the end of the year to manage its FX risk.

Consolidated Current Portion of Long-Term Debt increased by 146% to PHP5.19 billion from PHP2.11 billion beginning balance with more maturing loans in the next twelve months. Coal, SCPC, and SLPGC accounted for PHP1.97 billion, PHP1.53 billion, and 1.69 million, respectively.

Consolidated Total Non-Current Liabilities decreased by 4% to PHP14.70 billion, from PHP17.06 billion beginning balance due to re-class of a portion of long term loans maturing in the next twelve months. Coal, SCPC, and SLPGC accounted for PHP3.04 billion, PHP794.81 million and PHP10.11 billion, respectively.

Consolidated Long-Term Debt dropped by 29% to PHP11.36 billion from PHP16.09 billion beginning balance. SLPGC accounted for the bulk of the account, recording PHP9.34 billion borrowings for the expansion project, after re-class of current portion of long-term debt to current liabilities. Coal and SCPC have outstanding long-term portion of debts amounting to PHP1.25 billion and PHP767.28 million, respectively.

Consolidated Pension Liabilities increased 77% to PHP86.98 million from PHP49.03 million beginning balance, reflecting coal's recording of additional liability of PHP32.47 million and PHP5.48 million additional accounting of liability by SCPC. Coal and SCPC accounted for PHP72.04 million and PHP14.94 million, respectively.

Provision for Decommissioning and Site Rehabilitation increased 193% to PHP513.70 million due to intensified and expanded rehabilitation plan. Coal and power accounted for PHP501.11 million, PHP12.59 million, respectively.

Other Non-Current Liabilities, which accounts for retention payments on contracts under SLPGC slightly increased by 268% to PHP2.74 million from 743.91 million beginning balance due to the additional retained fees for the on-going plant construction.

After accounting for net income generation of PHP8.49 billion and payment of cash dividends of PHP4.28 billion during the period, consolidated Stockholders' Equity increased by 18% to PHP26.90 billion from PHP22.71 billion beginning balance.

Debt-to-Equity ratio slightly improved to 1.12:1 from 1.29:1 as at end 2014.

IV. PERFORMANCE INDICATORS:

1. **Net Income After Tax** – Despite the challenges and disappointment in 2015, the Company generated historical high NIAT, posting a 23% increase YoY.
2. **Dividend Payout** – Along with growing the business with the expansion of its power capacity, the Company's dividend payout continued to be strong. In 2015, payout ratio was 62%, more than three times the policy of 20%.
DE Ratio – The Company manages to keep its leverage low as demonstrated by its DE Ratio. DE Ratio continues to slide down in 2015 to 1.3x from 1.29x in 2014.
3. **Net Profit Margin** – Despite the drop in coal prices, which also pulls down power rates, the Company was able to increase its profitability to 29% from 22% in 2014 by effectively managing costs.
4. **Current Ratio** – Current ratio slipped to 0.97 as at the end of the year as the Company took advantage of the huge differential of short-term and long-term interest rates which is around 200 to 250 bps. Moreover, the 2x150MW power project booked additional payables both for EPC and Non-EPC related activities while commercial operation has not yet been achieved. Management is however closely monitoring this to manage liquidity risk.

V. OTHER INFORMATION:

1. There were no known trends, events or uncertainties that have material impact on liquidity.
2. The Corporation provides interim corporate suretyship in favor of the lenders of SCPC for its PHP9.6 billion 7-year loan availed on 26 May 2010. The security may however be suspended within the term of the loan when the conditions set forth in the loan contract are met. SCPC started to amortize the loan in 2011; as at end of the year outstanding balance decreased to PHP2.297 billion. Also, the corporation provides interim corporate suretyship in favor of the lenders of SLPGC for the project debt facility amounting to P11.5 billion to finance the on-going construction of 2x150MW power plant expansion at Calaca, Batangas. It started amortizing the loan during the year, and as of December 31, 2015, the total amount drawn from said debt facility is P11.075 billion.
3. There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.
4. The Corporation has no major purchase commitment of mining equipment, except for the on-going construction of the 1x15 MW CFB Power Plant for its mine operation, a replacement of the old unit with estimated cost of P1.2 billion. For the meantime, this project is financed by short-term and medium-term loans for conversion to long-term loan when deemed necessary, and the on-going construction of 2x150MW power plant expansion at Calaca, Batangas which is financed by project debt facility with 60-40 debt-to equity ratio.
5. For 2016, we expect an increase in the demand for Semirara Coal in the domestic market with the commissioning of new power plants and small boilers that can utilize 100% Semirara coal. This trend is expected to continue in the succeeding years as a result of the competitiveness of Semirara Coal over imported coal.
6. There are no significant elements of income or loss from continuing operations.

7. There were no subsequent events that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements.
8. The Group's operation is not cyclical or seasonal in nature. Mining activities is continuous throughout the year as coal production output from period to period can be adjusted through efficient mine planning on both short-term and long-term, mitigating negative impact of the rainy season to mine operations. The power generation business is also operational throughout the year as maintenance shutdown is just part of normal operation of the plant and programmed ahead of time.
9. On 12 February 2016, the Department of Environment and Natural Resources approved the Company's application to increase maximum mineable capacity from 8 million MTs to 12 million MTs.
10. On 24 February 2016, the Board of Investments (BOI) approved the Company's application for registration for its Molave mine. As a BOI-registered enterprise, the Company is entitled to benefits like Income Tax Holiday.

Full Years 2013-2014

I. PRODUCTION – COMPARATIVE REPORT 2014 vs 2013

Coal

Coal mining operations recorded a historical high production in 2014. The Company took advantage of good weather conditions to ramp up coal extraction, as well as waste stripping.

Total materials moved increased 26% YoY to 103.30 million bank cubic meters (bcm) from 82.15 million bcm last year. Strip ratio increased 14% at 11.47:1 from 9.73:1 last year as a result of pre-stripping at Bobog pit. However, strip ratio in Panian remained at a normal level of 9.44:1 this year. Gross product coal production increased by 5% YoY at 7.96 million metric tons (MTs) from 7.57 million MTs, while net product coal, after accounting for survey adjustments, increased 6% YoY at 8.08 million MTs from 7.62 million MTs last year.

Coal sales volume grew 16% YoY at 8.89 million MTs record high from 7.63 million MTs in 2013. Higher sales resulted to lower ending inventory at 386 thousand MTs, a 70% reduction from last year's 1.28 million MTs.

The table below shows the comparative production data for FY 2014 and 2013.

COMPARATIVE PRODUCTION DATA											
<i>(in '000, except Strip Ratio)</i>											
	Q1 '14	Q2 '14	Q3 '14	Q4 '14	FY '14	Q1 '13*	Q2 '13	Q3 '13	Q4 '13	FY '13	% Inc (Dec)
Total Materials (bcm)	28,135	26,385	22,745	26,032	103,297	16,001	23,575	18,081	24,492	82,149	26%
Gross Product Coal (MT)	2,353	2,513	2,145	950	7,961	787	2,301	1,780	2,701	7,570	5%
Strip Ratio	10.69:1	9.20:1	9.09:1	24.60:1	11.47:1	18.79:1	9.10:1	9.02:1	8.09:1	9.73:1	-14%
Net TPC (MT)	2,329	2,488	2,123	1,144	8,084	900	2,278	1,762	2,674	7,615	6%
Beg. Inventory (MTs)	1,277	1,279	1,623	1,966	1,277	1,383	460	1,137	1,311	1,383	-8%
End Inventory (MTs)	1,279	1,623	1,966	386	386	460	1,137	1,311	1,277	1,277	-70%

* Survey adjustment resulted to higher TPC vs ROM in Q1 2013

SCPC

Total gross generation dropped 22% YoY at 2,840 GWh from 3,638 GWh last year as a result of the prolonged shutdown of Unit 2 in H1. The plant was placed on shut down at the end of December last year for planned maintenance and to install the new Distribution Control System (DCS).

Unit One

Average capacity slightly increased to 230 MW from 229 MW last year. Plant performance is almost the same in all aspects, but with 2014 slightly higher against 2013. The unit started slow in the first half of the year but was able to recover in the second half. Forced outage is at the rate of 15.2% compared to 16.8% registered last year, showing a 10% improvement in Unit forced outages. Almost 69% of the forced outages occurring in Q2 and Q3 were due to tube leaks, while slagging accounted for 19% of the total forced outage.

As a result, the unit showed 2% improvement on gross generation at 1,698GWh from 1,667Gwh last year, and capacity factor at 65% from 63%. Availability slightly increased by 1% as against the previous year.

Unit Two

The plant was shut down on 31 December 2013 for maintenance and upgrade of the DCS. The target was to finish both activities in 90 days, however, problems on the installation and fine tuning of the DCS were encountered, such that the plant was only re-synchronized to the grid on 13 June. Power generation only stabilized in Q3 until the end of 2014 where dependable capacity was restored to its rated capacity.

As a result of the prolonged shutdown, average capacity dropped 4% YoY at 259 MW from 272 MW last year; capacity factor decreased 42% YoY at 43% from 75%; while gross generation also dropped 42% YoY at 1,141 GWh from 1,971 GWh last year.

The table below shows the comparative production data for 2014 and 2013.

COMPARATIVE PLANT PERFORMANCE DATA											
CUSTOMER	Q1 '14	Q2 '14	Q3 '14	Q4 '14	FY '14	Q1 '13	Q2 '13	Q3 '13	Q4 '13	FY '13	% Inc (Dec)
Gross Generation, GWh											
Unit 1	455	327	428	489	1,698	466	358	520	323	1,667	2%
Unit 2	33	77	428	603	1,141	351	525	512	584	1,972	-42%
Total Plant	489	404	855	1,092	2,840	816	884	1,032	907	3,638	-22%
% Availability											
Unit 1	89%	63%	85%	100%	84%	95%	70%	98%	70%	83%	1%
Unit 2	6%	20%	76%	98%	50%	63%	86%	84%	97%	83%	-39%
Total Plant	48%	41%	81%	99%	67%	79%	78%	91%	84%	83%	-19%
Capacity Factor											
Unit 1	70%	49%	65%	75%	65%	72%	54%	78%	49%	63%	2%
Unit 2	5%	12%	65%	92%	43%	54%	79%	77%	89%	75%	-42%
Total Plant	38%	30%	65%	83%	54%	63%	67%	78%	69%	69%	-22%

II. MARKETING – COMPARATIVE REPORT YTD 2014 vs. YTD 2013

Coal

Export sales accounted for majority or 59% of total coal sales in 2014 at 5.25 million MTs. The 54% YoY increase in export sales from 3.40 millions MTs in 2013 is a result of lower demand from power customers as the Company's power Unit 2 experienced an extended downtime after encountering commissioning problems of the newly installed Distribution Control System (DCS). It is worthy to note, however, that despite the decline in global coal prices, higher BTU Semirara coal added premium on export price, which slightly increased by 1% YoY at PHP2,164/MT from PHP2,142 last year.

Conversely, local sales dropped 14% YoY at 3.64 million MTs from 4.23 million MTs last year. This is mainly due to the decrease in off-take by power plants and cement customers.

Sales to power plants decreased 22% YoY at 2.27 million MTs from 2.92 million MTs last year. SCPC reduced its purchases by 29% YoY to 1.51 million MTs from 2.13 million MTs last year with only one unit operational until 13 June. Other customers also reduced their coal liftings as they need to fulfill their existing commitment on their freight contracts for imported coal.

Sales to cement plants likewise decreased 11% YoY at 875 thousand MTs from 980 thousand MTs last year. One customer slowed down its offtake this year as one of its plants was under maintenance.

Meanwhile, sales to other industrial plants increased 53% YoY at 501 thousand MTs from 328 thousand MTs last year. Two customers significantly increased their off-take this year.

Composite average FOB price per MT dropped 3% YoY at PHP2,127 from 2,185 with the continuous softening of global coal prices.

The table below shows the comparative sales volume data for 2014 and 2013.

COMPARATIVE SALES VOLUME DATA													
(in '000 MTs)													
CUSTOMER	Q1 '14	Q2 '14	Q3 '14	Q4 '14	FY '14	%	Q1 '13	Q2 '13	Q3 '13	Q4 '13	FY '13	%	% Inc (Dec)
Power Plants													
Calaca	334	238	377	562	1,510	17%	608	523	582	420	2,132	28%	-29%
Other PPs	115	165	243	234	757	9%	256	216	159	159	790	10%	-4%
TOTAL PPs	448	403	620	796	2,267	62%	864	739	740	578	2,922	69%	-22%
Other Industries													
Cement	242	219	178	236	875	10%	361	196	261	161	980	13%	-11%
Others	157	95	114	135	501	6%	92	89	68	79	328	4%	53%
Total Others	399	314	292	371	1,376	15%	454	285	329	240	1,308	17%	5%
TOTAL LOCAL	847	716	912	1,167	3,643	41%	1,318	1,024	1,070	818	4,230	55%	-14%
EXPORT	1,462	1,407	846	1,531	5,246	59%	461	556	497	1,887	3,401	45%	54%
GRAND TOTAL	2,309	2,124	1,758	2,698	8,889	100%	1,778	1,581	1,567	2,705	7,631	100%	16%

POWER

SCPC's sales decreased 2% YoY at 3,383 GWh from 3,460 GWh last year due to lower energy generation of the power plants, resulting from the prolonged testing and commissioning of the DCS for Unit 2 and high forced outage for Unit 1.

Of the total energy sold, 98% or 3,330 GWh were sold to bilateral contracts and the remaining 2% to the spot market.

MERALCO remained to be the single biggest customer, accounting for 88% of the total energy sold or 90% of the total energy sales to the bilateral contracts; BATELEC I and Trans-Asia comprised 4% and 5%, respectively.

Spot Market Sales is also lower by 64% at 53 GWh against 148 GWh last year.

Of the total energy sold, 78% was sourced from own generation and 22% was purchased from the spot market. SCPC procured power from the spot market during hour intervals where power units were down, or when the plants were running at a de-rated capacity, in order to be able to supply committed capacity to some of its customers. Some contracts still cover the supply of replacement power under a "pass-thru" cost arrangement.

Average price for bilateral contracts dropped 6% YoY at PHP3.55/KWh from PHP3.79/KWh in 2013. The contracts index Newcastle prices have been declining this year.

The table below shows the comparative marketing data for 2014 and 2013.

COMPARATIVE PLANT PERFORMANCE DATA (in GWh : PHP)											
CUSTOMER	Q1 '14	Q2 '14	Q3 '14	Q4 '14	FY '14	Q1 '13	Q2 '13	Q3 '13	Q4 '13	FY '13	%Inc (Dec)
Bilateral Contracts	413	886	966	1,065	3,330	751	838	966	757	3,313	1%
Spot Sales	11	-	15	27	53	20	10	17	100	148	-64%
Grand Total	425	886	981	1,091	3,383	771	849	983	858	3,460	-2%
Composite Ave. Price	4.40	3.73	3.50	3.40	3.64	3.89	3.91	3.66	5.65	4.26	-15%

III. FINANCE

A. Sales and Profitability

Consolidated Revenues, net of eliminating entries, increased 5% YoY at PHP28.59 billion in 2014 from PHP27.33 billion in the previous year. Before elimination, Coal Revenues increased 13% YoY at PHP18.91 billion from PHP16.68 billion last year, mainly due to higher sales volume. On the contrary, SCPC Revenues dropped 17% YoY at PHP 12.31 billion from PHP14.76 billion, due to a slight drop in energy sales volume and lower average price per KWh of PHP3.64/KWh this year against PHP4.26/KWh last year.

Consolidated Cost of Sales increased 35% YoY at PHP18.93 billion from PHP14.11 billion last year. Depreciation dropped 28% YoY at PHP1.93 billion from PHP2.69 billion last year.

Despite higher volume sold, increase in Coal Cost of Sales before elimination is minimal at 4% YoY at PHP12.23 billion from PHP11.73 billion, as a result of significant drop in oil prices and implementation of cost-cutting measures (i.e. more efficient mine planning and equipment maintenance), to counter declining global coal prices. High production also contributed to the decline in cost of coal sold per MT at PHP1,375 from PHP1,537 in 2013. Coal depreciation decreased 38% YoY at PHP1.00 billion from PHP1.62 billion last year.

SCPC Cost of Sales before elimination increased 44% YoY at PHP9.35 billion from PHP6.51 billion; and 59% YoY after elimination at PHP7.02 billion from PHP4.42 billion last year. Unit 2 was down for scheduled maintenance and for the replacement and upgrading of the DCS since the start of the year. It remained down most of Q2, compounded by occasional forced outage during fine tuning, thus exposing the power segment to high WESM prices for its replacement power to MERALCO and BATELEC I after all the outage allowances for the year were consumed. Power incurred net loss of PHP 2.1 billion from its replacement power purchases from the spot market. As a result, Cost of Sales per KWh increased 47% YoY at PHP2.76 from PHP1.88 last year. SCPC depreciation decreased 15% YoY at PHP861.79 million from PHP1,015.84 million last year.

The resulting consolidated Gross Profit decreased 27% YoY at PHP9.66 billion, with the coal and power segments each contributing PHP6.05 billion and PHP3.61 billion, respectively. Last year's consolidated Gross Profit stood at PHP13.22 billion, PHP3.91 billion from coal and PHP9.31 billion from SCPC. Consolidated Gross profit margin dropped to 34% from 48% last year.

Consolidated Operating Expenses (OPEX) decreased 39% YoY at PHP3.22 billion from PHP5.26 billion. Net of eliminating entries, the coal segment's OPEX increased 32% YoY at PHP2.25 billion from PHP1.71 billion last year since higher coal Revenues correspondingly increased Government Share by 42% at PHP1.86 billion from PHP1.30 billion last year. Meanwhile, SCPC's General and Administrative Expense, accounted under OPEX after elimination, decreased 74% YoY at PHP926.36 million from PHP3.51 billion last year. The decrease was due to last year's accelerated depreciation of the plant utility of PHP1.13 billion, prolonged maintenance costs of PHP643.97 million, PHP447.81 write-down on plant equipment and provision for impairment losses of PHP413.91 million. The pre-operating Southwest Luzon Power Generation Corp. (SLPGC), a wholly-owned subsidiary of the Company incorporated to expand its power capacity with the construction of 2 x 150 MW power plants, incurred PHP39.33 million OPEX, representing non-capitalizable expenses incurred during the period. Other pre-operating subsidiaries incurred combined OPEX of PHP2.33 million.

The USD continuously strengthened against the PHP, resulting to the booking of P52.14 million consolidated Forex Losses this period. Last year, the company recognized consolidated forex losses of PHP481.18 million. Bulk of this year's Forex Losses is incurred by the coal segment since most of its loans are USD-denominated, accounting for PHP61.8 million versus last year's losses of PHP373.4 million. The unrealized forex losses recognized during the current year stood at P55.47 million, while the amount recorded last year is at P309.12 million. Meanwhile, with minimal Forex exposure, SCPC recorded losses of PHP 14.4 million as against PHP6.19 million last year on its foreign currency denominated transactions. SLPGC, on the other hand, recorded Forex Gains of PHP24.15 million in 2014.

Higher investible funds, partially offset by lower placement interest rates, resulted to 55% increase YoY on consolidated Finance Income at PHP41.45 million from PHP26.80 million last year. Coal and SCPC earned PHP15.46 million and PHP19.17 million Finance Income, respectively. SLPGC also earned PHP6.62 million from placements of undisbursed funds.

Consolidated Finance Costs decreased 15% YoY at PHP323.23 million from PHP381.23 million. The coal segment's interest-bearing loans dropped 16% YoY at PHP5.59 billion from PHP6.63 billion last year, resulting to 11% drop YoY of coal Finance Costs at PHP119.94 million from PHP221.61 million last year. Likewise, SCPC's ending interest-bearing loans decreased 28% YoY at PHP3.82 billion from PHP5.34 billion last year after four long-term debt amortizations totaling to PHP1.54 billion in 2014. With lower borrowing rates applied to lower principal, SCPC Finance Cost dropped 10% YoY at PHP197.67 million from PHP221.32 million last year. SLPGC recorded uncapitalizable Finance charges of PHP5.57 million from PHP668 thousand last year.

Consolidated Other Income decreased 27% YoY at PHP205.49 million from PHP281.21 million last year. The coal segment's Other Income in the current period of PHP92.01 million mainly accounts for insurance recoveries. SCPC's Other Income decreased 44% YoY at PHP113.48 million from PHP203.18 million last year as lower fly ash is produced with only one plant running most of first half this year.

The resulting consolidated Net Income Before Tax (NIBT) decreased 15% YoY at PHP6.31 billion from PHP7.40 billion last year.

Both operating business units enjoy Income Tax Holidays (ITH) as Board of Investments-registered companies. Moreover, SCPC recorded Net Operating Loss Carry Over (NOLCO) for losses incurred in purchase of replacement power to service bilateral power supply contracts amounting to PHP2.125 billion million. As a result, the Company recorded consolidated Benefit from Income Tax of

PHP552.87 million as against last year's deferred tax benefit of PHP117.84 million. Coal and SLPGC recorded minimal Income Taxes of PHP81.51 million and PHP1.32 million, respectively.

The resulting consolidated Net Income After Tax (NIAT) dropped by 9% YoY at PHP6.86 billion from PHP7.52 billion last year. This is before Other Comprehensive Income/(Loss) of (P7.59) million and P12.59 million, respectively. Net of eliminations, coal generated net income of PHP3.64 billion, while SCPC generated PHP3.24 billion. Pre-operating SPLGC incurred non-capitalizable project expenses, thus recording losses amounting to PHP15.44 million. Before eliminations, coal and power recorded NIAT of PHP7.77 billion and PHP2.59 billion, respectively. With higher outstanding shares after stock dividend declaration, Earnings per Share (EPS) stood at PHP6.42, 9% lower than same period last year's adjusted EPS of PHP7.05.

B. Solvency and Liquidity

Internal cash generation in 2014 amounted to PHP11.93 billion. Consolidated loan availments amounted to PHP10.36 billion, representing additional availments of SLPGC from its project financing facility amounting to PHP4.77 billion, short-term borrowings of SCPC amounting to PHP4.15 billion, and PHP1.44 billion medium-term loan of coal to fund maintenance CAPEX. The coal segment recorded proceeds from sale of equipment amounting to PHP336.75 thousand. Moreover, the movement in other non-current assets and liabilities amounting PHP72.07 million. SLPGC's decrease in Non-Current Liabilities of PHP20.57 million accounts for the net effect between long term debt availment during the year and the amount reclassified to current liabilities equivalent to current portion of long term debt amounting to P378.65 million. SLPGC recorded PHP2.00 billion as proceeds from additional investments from the parent Company. The coal segment recorded proceeds from sale of equipment amounting to PHP336.75 thousand. Combined with beginning Cash of PHP4.82 billion, total consolidated Cash available during the period stood at PHP27.17 billion.

Of the available cash, PHP9.42 billion was used to fund major CAPEX, largely for the power expansion amounting to PHP6.84 billion; while coal and SCPC accounted for PHP1.46 billion and PHP1.11 billion, respectively.

SCPC invested PHP4.18 million to augment its Sinking Fund, while coal booked PHP1.32 billion for exploration and mine development. In addition, Coal spent PHP3.32 million for computer softwares.

The parent company invested PHP2.07 billion in its subsidiaries, mostly to SLPGC for its power expansion project. Coal and SLPGC recorded decrease in Other Non-Current Assets amounting to PHP3.56 million and PHP101.47 million, respectively, while SCPC recorded an increase in the account amounting to PHP4.51 million. The resulting net decrease in Non-Current Assets amounted to PHP100.52 million is due to mainly to reclassification of deferred Input VAT to current assets.

Meanwhile, PHP8.47 billion was spent for debt repayments, PHP5.69 billion for the amortization of long-term debt and short-term debt repayments of SCPC, while the balance of PHP2.78 billion was spent for the coal segment's loan settlements.

The Company declared and paid cash dividends during the period amounting to PHP4.28 billion to its shareholders, while SCPC declared and paid cash dividends of PHP3.50 billion to the parent company.

Net decrease in consolidated Cash during the period amounted to PHP1.14 billion. With a beginning balance of PHP4.82 billion. Consolidated Ending Cash closed at PHP3.68 billion, or a decrease of 24%.

Current ratio dropped to 1.03x from 1.48x as at the start of the year.

C. Financial Condition

Consolidated Total Assets increased by 16% YoY at PHP51.90 billion, from PHP44.73 billion as at end 2013. After eliminations, coal and SCPC's Total Assets closed at PHP11.44 billion and PHP20.80 billion, respectively. Pre-operating SLPGC, SBPG, SRPG, SCS, SEU, SCRC and SCIP recorded Total Assets of PHP19.54 billion, PHP3.14 million, PHP3.15 million, PHP101.31 million, PHP3.15 million, PHP7.77 million and PHP2.64 million, respectively.

Consolidated Current Assets closed at PHP12.77 billion, decreasing by 15% YoY from PHP14.80 billion last year. Coal, SCPC, SLPGC, SBPG, SRPG, SCS, SEU, SCRC and SCIP accounted for PHP5.72 billion, PHP4.68 billion, PHP2.16 billion, PHP 3.14 million, PHP 3.15 million, PHP2.82 million, PHP 3.15 million, PHP 7.77 million, and PHP2.64 million, respectively.

Consolidated Cash and Cash Equivalents decreased 24% YoY at PHP3.68 billion from PHP4.82 billion as at end 2013. Cash dividends of PHP4.28 billion used up most of the coal segment's cash, but higher coal sales resulted to ending balance of PHP1.89 billion. SCPC spent PHP5.01 billion mostly for replacement power and debt service totaling to PHP5.86 billion, and recorded a decreased ending cash balance of PHP390.38. SLPGC had undisbursed cash amounting to PHP1.38 billion as at the end of the period after spending PHP6.42 billion for CAPEX during the year.

Consolidated net Receivables slightly increased by 2% YoY at PHP4.13 billion from PHP4.03 billion 2013 ending balance. The coal segment's receivables of PHP1.54 billion, net of elimination, are mainly trade related. Power receivables dropped 11% to PHP2.60 billion from PHP2.94 billion as at the start of the year. These mainly account for the uncollected spot sales in Q4 2013. Due to a wide gap in power demand and supply in the last two months of 2013, spot prices surged. While the Energy Regulatory Commission issued a resolution invalidating market prices on November and December 2013, and instead imposed administrative pricing, a case is still pending before the Supreme Court on the issue.

Included in the Receivables is Due from affiliated companies amounting to PHP 67.12 million, most of which is due to the coal segment amounting to PHP66.86 million, while the remaining amount pertains to SCPC and SLPGC. These account for transfer of materials and shared services with affiliated companies.

Consolidated Net Inventories decreased 40% YoY at PHP2.79 billion from PHP4.63 billion last year. The coal segment's ending inventory dropped 61% to PHP1.42 billion from beginning balance of PHP3.60 billion due to higher coal sold as against production. This is comprised of cost of ending coal inventory of PHP505.18 million and materials spare parts, fuel, and supplies amounting to PH917.47 million. Meanwhile the SCPC's Inventory of PHP1.38 billion is mainly comprised of coal inventory and spare parts inventory for corrective, preventive and predictive maintenance program.

Consolidated Other Current Assets increased 64% YoY at PHP2.17 billion from PHP1.32 billion in 2013. The coal segment's Other Current Assets of PHP873.52 million is mainly comprised of prepaid income taxes and advances to contractors and suppliers amounting to PHP421.80 million and PHP434.18million, respectively. On the other hand, the SCPC's Other Current Assets of PHP328.00 million mainly accounted for advances to Suppliers and prepaid income taxes, PHP211.38 million and PHP92.76 million respectively. SLPGC accounted for PHP967.92 million of VAT input taxes claimable next year.

Consolidated Non-Current Assets increased 31% YoY at PHP39.13 billion from PHP29.93 billion as at end 2013. Coal, SCPC, SLPGC, and SCS accounted for PHP5.71 billion, PHP16.13 billion, PHP17.38 billion, and PHP98.49 million, respectively.

Consolidated net PPE increased 26% YoY to PHP34.45 billion from PHP27.29 billion in 2013. While coal and SCPC recorded CAPEX during the period, the increase is largely due to additional PPE recorded by SLPGC. Coal, SCPC, and SLPGC accounted for net PPE of PHP3.56 billion, PHP14.87 billion, and PHP16.02 billion, respectively.

Consolidated Investment in Sinking Fund remained at almost the same level at PHP521.78 million from PHP517.60 million beginning balance. This accounts for the sinking fund maintained by the power segment.

Consolidated Deferred Tax Assets increased 403% YoY at PHP704.07 million from PHP139.96 million in 2013. The increase is due to the recording of NOLCO for losses incurred in purchase of replacement power to service bilateral power supply contracts. Coal and SCPC accounted for PHP61.33 million and PHP642.74 million, respectively.

Exploration and Evaluation Asset increased 450% YoY at PHP1.91 billion from PHP348.15 million last year. This accounts for the exploratory drilling and pre-stripping activities in Bobog mine, which is expected to be in commercial operation by the end of 2016.

Consolidated Other Non-Current Assets increased 2% YoY to PHP1.73 billion from PHP1.64 billion last year. This is mainly comprised of deferred input VAT on capitalized assets amounting to PHP1.36 billion. Coal, SCPC, SLPGC, and SCS accounted for Other Non-Current Assets of PHP179.02 million, PHP85.39 million, PHP1.36 billion, and PHP98.49 million, respectively.

Consolidated Total Liabilities increased 19% YoY at PHP29.20 billion from PHP24.60 billion in 2013. Coal, SCPC and SLPGC accounted for PHP11.74 billion, PHP5.14 billion, and PHP12.31 billion, respectively.

Consolidated Total Current Liabilities increased 21% YoY at PHP12.14 billion from PHP9.99 billion as at end 2013. This is due to the increase in Trade and Other Payables. Coal, SCPC, and SLPGC accounted for PHP7.82 billion, PHP2.82 billion, and PHP1.50 billion, respectively.

Consolidated Trade and Other Payables increased 42% at PHP8.81 billion from PHP6.19 billion. Coal, SCPC, and SLPGC respectively accounted for PHP6.39 billion, PHP1.30 billion, and PHP1.12 billion, respectively.

Accounts and Other Payable includes Due to Affiliated Companies which dropped 16% YoY at PHP1.79 billion from PHP878.82 million last year. This accounts for supply of materials, services, construction and management contract with affiliated companies.

Short-term loans decreased by 26% at PHP1.22 billion from PHP1.65 billion beginning balance. This accounts for working capital loans of the coal segment during the year.

Consolidated Current Portion of Long-Term Debt decreased 2% YoY at PHP2.11 billion from PHP2.15 billion in 2013 with slightly lesser maturing loans in the next twelve months. Coal, SCPC, and SLPGC accounted for PHP210.18 million, PHP1.53 billion, and 378.65 million, respectively.

Consolidated Total Non-Current Liabilities increased 17% YoY at PHP17.06 billion, from PHP14.61 billion beginning balance due to additional loan availments during the period. Coal, power, and SLPGC accounted for PHP3.93 billion, PHP2.32 billion and PHP10.81 billion, respectively.

Consolidated Long-Term Debt increased 18% YoY at PHP16.09 billion from PHP13.66 billion. SLPGC availed of additional long-term debt from its project finance facility for the power expansion project. Coal had additional Capex financed during the period after servicing maturing loans, while SCPC paid down existing debts. Long-term debt - net of current portion closed at PHP3.72 billion, PHP2.30 billion, and PHP10.07 billion for coal, SCPC and SLPGC, respectively.

Consolidated Pension Liabilities increased 55% YoY at PHP49.03 million from PHP31.65 million. Coal and power accounted for PHP39.57 million and PHP9.46 million, respectively.

Provision for Decommissioning and Site Rehabilitation dropped 11% YoY to PHP175.29 million from PHP196.50 million last year primarily due to the advancement in on-going mine rehabilitation. Coal and power accounted for PHP163.73 million, PHP11.56 million, respectively.

Other Non-Current Liabilities, which accounts for retention payments on contracts under SLPGC decreased 3% YoY at PHP743.91 million from 723.35 million beginning balance.

After accounting for net income generation of PHP6.85 billion and payment of cash dividends of PHP4.28 billion, as well as 200% stock dividends which increased Capital Stock to PHP1.07 billion in 2014, consolidated Stockholders' Equity increased by 13% at PHP22.71 billion from PHP20.13 billion beginning balance.

Debt-to-Equity ratio slightly increased to 1.28:1 from 1.22:1 as at end 2013.

IV. PERFORMANCE INDICATORS:

1. Earnings per Share – The 9% drop in EPS corresponded to the decrease in NIAT in 2014 as compared to the previous year. While coal segment remained strong despite weaker coal prices, SCPC's performance is mediocre this year due to the delay in commissioning of power unit 2 after its scheduled shut down in H1.

2. **Debt-to-Equity Ratio** – Operating businesses continue to pay down debts to allow additional availments for the expansion project. Hence, the Company maintains a low DE, and thus enjoys preferential borrowing rates.
 - Business Expansion** – The first phase of power expansion is nearing its completion. The 2 x 150 MW power plants are expected to operate in 2015 and to start contributing to the Company's cash flows and earnings. The Company likewise goes back to the drawing board to plan for the next phase of expansion.
 - Expanded Market** – Moving forward, the Company expects to increase its local coal sales with the construction of more coal-fired power plants that are designed to use the specifications of Semirara coal. These include its own the expansion projects. In 2014 however, coal sales in the domestic market dropped as SCPC's power unit 2 was down almost half of the year. Meanwhile, the reduced energy generation mostly went to contracted sales. Minimal volume was sold to spot.
5. **Coal Reserves** – Additional coal reserves with high calorific value enabled the coal segment to deliver better quality coal. This gave additional premium to Semirara coal, and significantly contributed in maintaining the composite average coal selling price at almost last year's level despite the drop in global coal prices. Moreover, the use of this high grade coal by Unit 1 of the company's power plant at Calaca, Batangas in the last quarter resulted to increased capacity.

V. **OTHER INFORMATION:**

1. There were no known trends, events or uncertainties that have material impact on liquidity.
2. The Corporation provides interim corporate suretyship in favor of the lenders of SCPC for its PHP9.6 billion 7-year loan availed on 26 May 2010. The security may however be suspended within the term of the loan when the conditions set forth in the loan contract are met. SCPC started to amortize the loan in 2011; as at end of the year outstanding balance decreased to PHP3.84 billion. Also, the corporation provides interim corporate suretyship in favor of the lenders of SLPGC for the project debt facility amounting to P11.5 billion to finance the on-going construction of 2x150MW power plant expansion at Calaca, Batangas. As of December 31, 2013, the total amount drawn from said debt facility is P10.49 billion.
3. There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.
4. The Corporation has no major purchase commitment of mining equipment, except for the on-going construction of the 1x15 MW CFB Power Plant for its mine operation, a replacement of the old unit with estimated cost of P1.2 billion. For the meantime, this project is financed by short-term and medium-term loans for conversion to long-term loan when deemed necessary, and the on-going construction of 2x150MW power plant expansion at Calaca, Batangas which is financed by project debt facility with 60-40 debt-to equity ratio.
5. For 2015, we expect an increase in the demand for Semirara Coal in the domestic market with the commissioning of new power plants and small boilers that can utilize 100% Semirara coal. This trend is expected to continue in the succeeding years as a result of the competitiveness of Semirara Coal over imported coal.
6. There are no significant elements of income or loss from continuing operations.
7. There were no subsequent events that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements.
8. The Group's operation is not cyclical or seasonal in nature. Mining activities is continuous throughout the year as coal production output from period to period can be adjusted through efficient mine planning on both short-term and long-term, mitigating negative impact of the rainy season to mine operations. The power generation business is also operational throughout the year as maintenance shutdown is just part of normal operation of the plant and programmed ahead of time.

Full years 2012-2013

I. PRODUCTION AND OPERATIONS

Coal

On 13 Feb 2013, at around 11:55 PM, a section of the west wall of Panian pit where the Company was concluding its mine operation gave way, affecting 13 personnel. Three have been rescued, five were confirmed dead, and five are still missing. Management immediately voluntarily stopped all mining activities in the site even before the receipt of notice from the Department of Energy (DOE) for stop operations.

On 5 March 2013, DOE issued clearance to the Company to do preparatory activities, excluding coal extraction, for the new area, the North Panian, after it has reviewed and evaluated the work program for the site.

Subsequently, on 19 April 2013, the Company received full clearance from DOE to proceed with the coal production activity. Since then, all mining operations have returned to normal.

The incident at the mine caused a temporary slump in coal mining operations. However, mining activities were able to catch up, such that total materials moved increased 7% YoY at 82.15 million bank cubic meters (bcm) from 77.07 million bcm last year. Strip ratio increased by 20% YoY at 9.73:1 from 8.66:1 last year. The increase is mainly due to the spike in strip ratio to 18.79:1 in Q1 after the Company stopped producing coal, but continued waste stripping. Run-of-mine (ROM) coal dropped by 5% YoY at 7.86 million metric tons (MTs) from 8.24 million MTs in 2012. A significant 45% drop YoY in washable coal at 727 thousand MTs from 1.31 million MTs last year was recorded as a result of improved coal quality. Net total product coal was almost the same at 7.62 million MTs and 7.63 million MTs in 2013 and 2012, respectively.

Total volume sold increased by 1% YoY at 7.63 million MTs from 7.18 million MTs last year. Coal shipments recorded an improvement in average heating value from 9,510 btu/lbs in 2012 to 9,676 btu/lbs. Coal ending inventory dropped by 8% YoY, closing at 1.28 million MTs from 1.38 million MTs last year as a result of higher sales volume.

The table below shows the comparative quarterly production data for 2013 and 2012.

COMPARATIVE PRODUCTION DATA											
(in '000, except Strip Ratio)											
	Q1 '13	Q2 '13	Q3 '13	Q4 '13	YTD '13	Q1 '12	Q2 '12	Q3 '12	Q4 '12	YTD '12	% Inc (Dec)
Total Materials (bcm)	16,001	23,575	18,081	24,492	82,149	22,303	19,273	15,666	19,830	77,072	7%
ROM Coal (MT)	820	2,403	1,858	2,779	7,861	1,805	2,220	1,739	2,472	8,236	-5%
Strip Ratio	18.79:1	9.10:1	9.02:1	8.09:1	9.73:1	11.64:1	7.97:1	8.30:1	7.38:1	8.66:1	-10%
Net TPC (MT)	900	2,278	1,762	2,674	7,615	1,651	2,089	1,579	2,337	7,657	-1%
COAL WASHING											
Washable Coal (MTs)	83	254	195	195	727	344	334	358	278	1,314	-45%
Washed Coal (MTs)	50	153	117	117	436	206	200	215	167	788	-45%
%recovery	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	
Beg. Inventory (MTs)	1,383	460	1,137	1,311	1,383	992	950	963	1,276	992	39%
End Inventory (MTs)	460	1,137	1,311	1,277	1,277	950	963	1,276	1,383	1,383	-8%

Power

Total energy generation posted a record high in 2013 at 3,460 GWh, the highest in the history of the Calaca Coal Fired Thermal Power plants, posting a 46% YoY from 2,365 GWh in 2012.

Lower maintenance outage offset high forced outage of Unit 1, raising total operating hours at 7,292, 83% YoY from 2,697 hours in 2012. Moreover, raised capacity of Unit 1 offset the lower dependable capacity of Unit 2, bringing average capacity to 501 MW from 446 MW last year.

Unit One

There is a notable improvement in 2013 as compared to previous year's performance. Average load of 229 MW is 16% above 2012's average load of 197 MW. This is primarily due to an increase in capacity ranging between 230 to 245 as a result of the use of Nalco Soot Remove 9F.

With higher operating hours at 7,292 hours, total generation is 1,667 Gwh, recording a 214% increase YoY compared to 2012's gross generation of 531 Gwh.

Capacity factor of 64% posted a significant 215% increase YoY from only 20% in 2012 as preventive maintenance of the plant drove availability down to 31% or operating hours of only 2,697.

Forced outage was high at 21% due to a leak in the condenser in Q2 and Q4 of 2013 caused by clogging in some of the tubes raising the temperature to increase beyond manageable level resulting to pin hole leaks.

To ensure that the sea water intake is free from any debris which may potentially cause another tube clogging incident, a preventive multi-layered net at sea and took on an active role in educating the neighboring communities on waste management.

Unit Two

The planned maintenance shutdown in December 2012 included six critical items, of which only five were executed. Replacement of Heaters 7 and 8 was deferred due to technical issue.

As a result, load was limited to 272 MW out of the rated capacity of 300 MW. This is however 9% higher than average capacity of 249 MW in 2012.

Despite the above limitation, gross generation posted a 2% increase YoY at 1,971 Gwh from 1,932 GWh in 2012.

Availability was however lower at 83% as against 88% in 2012.

The table below shows the comparative production data in 2013 and 2012.

COMPARATIVE PLANT PERFORMANCE DATA											
FY2013 VS FY2012											
	Q1 '13	Q2 '13	Q3 '13	Q4 '13	FY '13	Q1 '12	Q2 '12	Q3 '12	Q4 '12	FY '12	% Inc (Dec)
Gross Generation, Gwh											
Unit 1	466	358	520	323	1,667	-	-	128	403	531	214%
Unit 2	351	525	512	584	1,971	473	478	508	473	1,932	2%
Total Plant	816	884	1,032	907	3,638	473	478	636	876	2,463	48%
% Availability											
Unit 1	95%	70%	98%	70%	83%	0%	0%	36%	87%	31%	171%
Unit 2	63%	86%	84%	97%	83%	88%	88%	92%	86%	88%	-6%
Total Plant	79%	78%	91%	84%	83%	44%	44%	64%	86%	60%	39%
Capacity Factor											
Unit 1	72%	54%	78%	49%	63%	0%	0%	19%	61%	20%	215%
Unit 2	54%	79%	77%	89%	75%	72%	72%	77%	72%	73%	2%
Total Plant	63%	67%	78%	0%	69%	36%	36%	48%	67%	47%	48%

II. MARKETING

Coal

Higher sales to power plants and exports offset drop in sales to cement plants and other industries. Total coal sales volume increased by 6% YoY at 7.63 million MTs from 7.18 million MTs last year.

The table below shows the comparative quarterly sales volume data for 2013 and 2012.

COMPARATIVE SALES VOLUME DATA													
<i>(in '000 MTs)</i>													
CUSTOMER	Q1 '13	Q2 '13	Q3 '13	Q4 '13	YTD '13	%	Q1 '12	Q2 '12	Q3 '12	Q4 '12	YTD '12	%	% Inc (Dec)
Power Plants													
Calaca	608	523	582	420	2,132	28%	205	285	545	456	1,492	21%	43%
Other PPs	256	216	159	159	790	10%	325	382	203	126	1,037	14%	-24%
TOTAL PPs	864	739	740	578	2,922	69%	531	667	748	582	2,528	63%	16%
Other Industries													
Cement	361	196	261	161	980	13%	272	338	224	220	1,053	15%	-7%
Others	92	89	68	79	328	4%	98	105	128	98	430	6%	-24%
Total Others	454	285	329	240	1,308	17%	370	443	352	318	1,482	21%	-12%
TOTAL LOCAL	1,318	1,024	1,070	818	4,230	55%	901	1,110	1,100	900	4,011	56%	5%
EXPORT	461	556	497	1,887	3,401	45%	771	946	146	1,310	3,173	44%	7%
GRAND TOTAL	1,778	1,581	1,567	2,705	7,631	100%	1,672	2,056	1,245	2,211	7,184	100%	6%

Sales to SCPC increased by 43% YoY at 2.13 million MTs from 1.49 million MTs last year as a result of increased capacity and availability of both power units after rehabilitation.

On the contrary, sales to other power plants dropped by 24% YoY at 790 thousand MTs from 1.04 million MTs last year. Drop in global coal prices encouraged some customers to import cheap coal from offshore market. Moreover, a customer has an outstanding shipping contract that it must utilize to transport coal from Indonesia.

Sales to cement plants likewise dropped 7% YoY at 980 thousand MTs from 1.05 million MTs due to decrease in offtake by a few customers this year.

Despite tapping two new customers this year, sales to other industries also dropped by 24% YoY at 328 thousand MTs from 430 thousand MTs. Some old customers decreased their offtake.

Strong export sales in the last quarter drove export share to 45% of the total pie this year. Total export sales of 3.40 million MTs are 7% higher than last year's 3.17 million MTs. Mining operations are concentrated in the area where coal quality is better, commanding higher export prices.

The 10% YoY decrease in composite average FOB price per MT at PHP2,185 from PHP2,454 last year reflected the drop in global coal prices.

POWER

Sales volume increased by 46% YoY at 3,460GWh from 2,365GWh in 2012. This is attributed to the higher energy generation of the newly rehabilitated power plants.

Of the total energy sold, 96% or 3,313 GWh were sold to bilateral contracts, while the remaining 4% were sold in the spot market.

Sales to bilateral contracts increased by 65% YoY at 3,313 GWh from 2,007 GWh in 2012. The improvement is due to increase of contract quantities for MERALCO from the initial 210 MW to 420 MW starting 31 January 2013, and the additional 30 MW non-firm contract capacity for TRANS-ASIA. The non-firm additional contract capacity arrangement with Trans-Asia which is effective starting 16 February 2013 enables SCPC to sell its excess capacity at any given time.

MERALCO maintained to be the biggest customer of SCPC comprising 87% share of the total energy sales for SCPC's bilateral contracts, followed by Trans-Asia and Batelec I at 7% and 5% shares, respectively.

Spot market sales volume is lower at 148GWh in 2013 against 358 GWh in 2012. However Spot Sales Revenue in pesos is higher by 30% in 2013 vs 2012 due to the increase in the spot market prices in Q4.

Of the total energy sold, 99% was sourced from own generation and only 1% was purchased from the spot market. SCPC procured power from the spot market during hour intervals where power units were down, or were running at a derated capacity, in order to supply committed capacity to some of its customers. Contracts with some of its customer still cover the supply of replacement power under a "pass-thru" cost arrangement.

SCPC bilateral contracts yielded lower prices at an average price of PHP3.79 per KWh in 2013 compared to the PHP3.97 per KWh in 2012. This is due to lower prices of pass-thru coal fuel being indexed to the lower Newcastle prices in 2013.

On the other hand, average spot sales increased by 215% YoY at PHP14.98 per KWh from PHP4.75 per KWh in 2012. High spot prices in November and December pulled up price per KWh.

The table below shows the comparative sales volume data in 2013 and 2012.

COMPARATIVE SALES VOLUME DATA											
<i>(in GWh)</i>											
CUSTOMER	Q1 '13	Q2 '13	Q3 '13	Q4 '13	FY'13	Q1 '12	Q2'12	Q3'12	Q4'12	FY'12	% Inc (Dec)
Bilateral Contracts	751	838	966	757	3,313	489	427	518	573	2,007	65%
Spot Sales	20	10	17	100	148	1	1	79	278	358	-59%
GRAND TOTAL	771	849	983	858	3,460	489	428	597	851	2,365	46%
Composite Ave Price	3.89	3.91	3.66	5.65	4.26	4.14	4.41	3.73	4.15	4.09	4%

III. FINANCE

A. Sales and Profitability

Consolidated Revenues, net of eliminating entries, grew by 13% YoY at PHP27.33 billion as against PHP24.15 billion in 2012. Coal Revenues, before elimination, dropped by 5% YoY at PHP16.68 billion from PHP17.63 billion in 2012 due to lower coal prices this year. On the other hand, energy Revenues increased by 52% YoY at PHP14.76 billion from PHP9.7 billion last year as a result of the 46% increase in energy sales volume and 4% increase in average price per KWh.

Consolidated Cost of Sales decreased by 4% YoY at PHP14.11 billion from PHP14.64 billion last year.

Coal Cost of Sales before elimination declined by 5% YoY at PHP11.73 billion from PHP12.33 billion last year. Strip ratio normalized as at the end of the period from a historical high in Q1 as a result of the accident at the pit that temporarily halted coal extraction. Moreover, the Company implemented some cost-saving measures to counter the drop in coal prices, mining strategy only required shorter hauling distance in North Panian while in-pit dumping allows the mine to decrease number of equipment while maintaining the same excavating capacity, thus 29 units of mining were put on stand-by. Net of elimination, Cost of Coal Sold also dropped by 12% YoY at PHP8.66 billion from PHP9.83 billion last year. Cost of Coal Sold per MT decreased by 10% YoY at PHP1,537 versus PHP1,716 last year.

Power Cost of Sales before elimination increased by 17% YoY at PHP6.51 billion from PHP5.55 billion; and 18% after elimination at PHP4.42 billion from PHP3.75 billion last year. Increase in volume sold accounted for the increase in total cost. Notably, Cost of Sales per KWh decreased by 25% at PHP1.88 from PHP2.35 last year due to minimal spot purchases for replacement power and lower coal fuel average cost this year.

The resulting consolidated Gross Profit in 2013 increased by 39% YoY at PHP13.22 billion with the coal and power segments each contributing PHP3.91 billion and PHP9.31 billion, respectively. Consolidated Gross Profit in 2012 stood at PHP9.51 billion, PHP4.63 billion from coal and PHP4.88 billion from power. Consolidated Gross profit margin improved at 48% from 39% last year.

Consolidated Operating Expenses increased by 55% YoY at PHP5.26 billion from P3.40 billion in 2012. Net of eliminating entries, the coal segment's Operating Expenses decreased by 17% YoY at PHP1.7 billion from last year's PHP2.0 billion. Lower coal Revenues decreased Government Share by 16% at PHP1.30 billion from PHP1.56 billion last year. Meanwhile, the power segment's Operating Expenses after elimination increased by 155% YoY at PHP3.5 billion from PHP1.4 billion last year due to acceleration of depreciation on certain equipment/components of Unit 2 whose repair are in-progress during the 90-day scheduled maintenance shutdown of Unit 2 which commenced last week of December 2013. These are to be replaced with new ones. Hence, the carrying value of the affected equipment/components amounting to Php1.2 billion as of December 31, 2013 was fully provided with depreciation to reflect its true value in the books.

The pre-operating Southwest Luzon Power Generation Corp. (SLPGC), a wholly-owned subsidiary of the Company incorporated to expand its power capacity with the construction of 2 x 150 MW power plants, incurred PHP39.33 million pre-operating expenses, representing salaries and other administrative expenses incurred during the period. Other subsidiaries, Semirara Energy Utilities, Inc. (SEU), Semirara Claystone, Inc. (SCI) and Sem-Cal Industrial Park Developers, Inc. (SCIPDI) also incurred Pre-operating Expenses of PHP100.5 thousand, PHP69.17 thousand PHP30.80 thousand for the period, respectively. Two new companies were incorporated during the period as vehicles for additional power expansion projects; they are San Rafael Power Generation Corp. (SRPGC) and Sem-Balayan Power Generation Corp. (SBPGC). Both companies incurred pre-operating expenses of PHP114.89 thousand and PHP194.62 thousand, respectively.

Consolidated Income from Operations increased by 30% YoY at PHP7.96 billion from PHP6.11 billion in 2012. The coal and power segments contributed PHP2.19 billion and PHP5.80, respectively this year, as against PHP3.30 billion and PHP2.27 billion in 2012. The other pre-operating companies, SLPGC, SEU, SCI, SCIPDI, SRPGC, SBPGC incurred losses of PHP39.33 million, PHP100.50 thousand, PHP69.17 thousand, PHP30.80 thousand, PHP114.89 thousand and PHP194.62 thousand, respectively.

As the USD strengthened against the PHP this year, the Company registered consolidated Forex Losses of PHP481.18 million as against Gains of PHP391.00 million last year. Since most of its loans are USD-denominated, bulk of the current period's Forex Losses is incurred by the coal segment which recorded PHP463.94 million losses versus last year's gains of PHP387.83 million. Of this amount, PHP305.93 million is unrealized losses. Meanwhile, with minimal Forex exposure, the power segment incurred Forex Losses of PHP15.49 million as against Gains of PHP3.17 million last year. SLPGC also recorded loss of PHP1.75 million on its foreign exchange transactions

Lower placement interest rates and lower free cash resulted to the decrease in consolidated Finance Income by 67% YoY at PHP26.80 million from PHP82.14 million last year. The coal segment's investible funds reduced after using most of its cash for equity of SLPGC and to pay off debts toward the end of 2012, thus its Finance Income decreased by 67% at PHP26.80 million from PHP82.14 million last year. The power segment's Finance Income likewise decreased by 41% at PHP24.58 million from PHP41.53 million last year after using its cash to pay dividends of PHP2.5 billion during the period. SLPGC recorded Finance Income of PHP217.06 thousand from short-term placements.

Consolidated Finance Costs decreased by 24% YoY at PHP381.23 million from PHP501.28 million. The coal segment's interest-bearing loans increased by 31% YoY, closing at PHP6.45 billion from PHP4.91 billion, increasing coal Finance Costs by 24% YoY at PHP152.63 million from PHP122.61 million. Meanwhile, the power segment's long-term loan balance dropped by 23% YoY to PHP5.34 billion from PHP6.91 billion last year thus bringing down power Finance Cost by 41% YoY at PHP221.61 million from PHP376.37 million last year. SLPGC incurred Finance Cost of PHP6.99 million for its project financing.

Consolidated Other Income dropped by 12% YoY at PHP281.21 million from PHP318.45 million. Bulk of last year's Other Income came from gain on sale of retired assets of the coal segment. Notably, the power segment's Other Income increased by 55% YoY at PHP203.18 million from PHP131.26 million last year. Power Unit 2 used more unwashed coal this year, producing more fly ash which is sold to a cement company at a higher price after renegotiating the supply contract on February 2012.

The resulting consolidated Net Income Before Tax (NIBT) increased by 16% YoY at PHP7.40 billion from PHP6.40 billion. SCPC accounted for 78% of the 2013's NIBT, at PHP5.79 billion after elimination. Meanwhile, net of eliminating entries, the coal segment

generated NIBTof PHP1.66 billion, while the pre-operating SLPGC, SCI, and SEU, SCIPDI, SBGPC, and SRPGC incurred losses of PHP47.86 million, PHP64.45 thousand, PHP94.73 thousand, PHP32.26 thousand, PHP191.97 thousand, and PHP112.24 thousand, respectively. Before eliminations, power and coal recorded NIBT of PHP4.73 billion and PHP5.19 billion, respectively.

Both operating business units enjoy Income Tax Holidays (ITH) as Board of Investments-registered companies. As a result, the Company accounted for consolidated benefit from deferred income taxes of PHP117.84 million, net of final income taxes and income taxes for unregistered activities of PHP5.01 million and PHP11.69 million respectively. Last year's provision totaled to PHP39.60 million.

Consolidated Net Income After Tax (NIAT) increased by 18% YoY at PHP7.53 billion from PHP6.34 billion last year. Before eliminations, coal and power recorded NIAT of PHP5.34 billion, including PHP2.5 billion dividend income from power segment, and PHP4.71 billion, respectively. Meanwhile, after eliminations, the coal and power segments generated NIAT of PHP 1.80 billion, and PHP5.78 billion, respectively. SCI and SCIPDI also recorded a minimal income of PHP45.90 thousand and PHP19.65 thousand, respectively. On the other hand, SLPGC, SEU, SBPGC, and SRPGC incurred start-up costs of PHP47.90 million, PHP63.64 thousand, PHP192.5 thousand, and PHP112.77 thousand, respectively. Earnings per Share (EPS) correspondingly increased by 18% YoY at PHP21.11 from PHP17.85 last year.

B. Solvency and Liquidity

Consolidated net cash provided by operating activities in 2013 amounted to PHP12.65 billion. Consolidated loan availments amounted to PHP15.52 billion, inclusive of SLPGC's second and third loan drawdowns totaling to PHP6.99 billion. Meanwhile, sale of assets during the year generated PHP135.07 thousand. Net increase in other noncurrent liabilities generated PHP665.41 million, while Acquisition of a subsidiary – net of cash acquired recorded positive cash flow of PHP1.25 billion. With beginning Cash of PHP534.39 million, total consolidated Cash available the period stood at PHP28.84 billion.

Of the available cash, PHP2.45 billion was used to fund major CAPEX, PHP1.59 billion for coal segment, and PHP858 million for the power segment.

Meanwhile, loan repayments amounted to PHP10.75 billion, PHP6.38 billion and PHP 4.37 billion for coal and power, respectively.

The Company declared and paid cash dividends amounting to PHP4.28 billion in 2013.

Additions to Property, Plant and Equipment amounted to PHP8.90 billion, which is mainly composed of the construction-in progress of the 2 x 150MW CFB power plant in Calaca, Batangas and 1 x 15MW power plant for the mine operation at Semirara Island and other mining equipment and some capitalized repairs of the existing 2x300MW Calaca Power Plant during the year. Other investing activities during the period also utilized cash, namely, other CAPEX amounting to PHP4.94 million, additions to sinking fund of PHP10.81 million, and additions to exploration and evaluation assets amounting to PHP298.73 million.

After recording positive Effect of Exchange Rate Changes on Cash and Cash Equivalents of PHP9.64 million, Consolidated net cash generated during the period amounted to PHP4.28 billion. With a beginning balance of PHP534.39 million, consolidated Ending Cash closed at PHP4.82 billion, increasing by 802% YoY. The significant increase is attributed to strong cash generation of operations and the availment of scheduled loan drawdown of SLPGC which is not yet fully spent.

As a result of strong cash generation, current ratio improved at 1.48x from 0.96x in 2012.

C. Financial Condition

Consolidated Total Assets stood at PHP44.73 billion, increasing by 24% from beginning balance of PHP36.20 billion. After eliminations, the coal and power segments' Total Assets closed at PHP11.36 billion and PHP21.51 billion, respectively. SLPGC, SCI, SEU, SCIPDI, SBGP, SRPGC recorded Total Assets of PHP11.80 billion, PHP40.61 million, PHP3.16 million, PHP2.62 million, PHP3.13 million, and PHP3.13 million, respectively.

Consolidated Current Assets closed at PHP14.80 billion, 26% higher than beginning balance of PHP11.71 billion. Coal, power, SLPGC, SCI, SEU, SCIPDI, SBPGC, and SRPGC accounted for PHP7.29 billion, PHP6.12 billion, PHP1.37 billion, PHP2.65 million, PHP 3.13 million, PHP2.62 million, PHP 3.13 million, and PHP 3.13 million, respectively.

Consolidated Cash and Cash Equivalents increased by 802% YoY at PHP4.82 billion from PHP534.39 million. The increase in Cash is mainly attributed to loan drawdown by SLPGC and cash generation from operations of the power segment.

Consolidated net Receivables also increased by 13% YoY at PHP4.03 billion from PHP3.58 billion, primarily due to high Trade Receivables of power as a result of uncollected spot revenues in November and December bringing total Trade Receivables of power to PHP3.32 billion. On the other hand Power also booked Allowance for Doubtful Accounts amounting to PHP467.43, bulk of which is the provision set up related to Spot Revenue for Nov and Dec 2013 billing affected by the TRO issued by the Supreme Court. Further, on March 11, 2014, Energy Regulatory Commission's (ERC) Order dated March 3, 2014 in ERC Case No. 2014-021 MC entitled "In the Matter of the Prices in the Wholesale Electricity Spot Market (WESM) for the Supply Months of November and December 2013, was released. Said ERC order affects SEM-Calaca Power Corporation's financial statement as well as the Corporation's Consolidated Financial Statements. However, only additional disclosure was made in the notes to financial statements considering that the Corporation is currently not able to reasonably determine with certainty the effects of the ERC order on its financial statement.

Total Receivables of power stood at PHP2.91 billion. The coal segment's Receivables of PHP1.12 billion are mainly trade related.

Consolidated Net Inventories decreased by 18% YoY at PHP4.63 billion from PHP5.66 billion in 2012. The coal segment's ending Inventory of PHP3.60 billion is mainly comprised of cost of ending coal inventory and materials, fuel and other supplies, while the power segment's Inventory of PHP1.02 billion is mainly comprised of spare parts inventory for its corrective, preventive and predictive maintenance program.

Consolidated Other Current Assets decreased by 32% YoY at PHP1.32 billion from PHP1.94 billion. The coal and power segments' Other Current Assets of PHP853.74 million and PHP436.07 million, respectively, are mainly comprised of creditable withholding taxes and advances to suppliers. SLPGC recorded Other Current Assets of PHP29.89 million mainly for Prepaid Tax.

Consolidated Non-Current Assets increased by 22% YoY at PHP29.93 billion from PHP24.48 billion. Coal, power, SLPGC, SCI and SEU accounted for PHP4.07 billion, PHP15.39 billion, PHP10.43 billion, PHP37.97 billion and PHP30.15 thousand, respectively.

Consolidated net PPE increased by 20% YoY at PHP27.29 billion from PHP22.72 billion as at end of 2012. The increase is due to new acquisitions, particularly of SLPGC, partially offset by depreciation. The equipment involved in the incident at Panian west wall was all fully depreciated. Coal, power, and SLPGC accounted for net PPE of PHP3.39 billion, PHP14.72 billion, and PHP9.18 billion, respectively.

Sinking Fund of the power segment increased by 2% YoY at PHP517.60 million from PHP508.04 million. This represents interest income earned for the equivalent of one quarter repayment posted in the debt service reserve account which is restricted in nature and placed overnight as provided for in the loan agreement covering the long-term loan of the power segment.

Exploration and Evaluation Asset of PHP348.15 is newly set-up by the coal segment accounting for pre-stripping and mine development for Bobog mine.

Consolidated Deferred Tax Assets increased 1,202% at PHP139.96 million from PHP10.75 million. This is mainly accounted by the coal segment amounting to PHP135.18 million. Power recorded PHP4.74 million covering additional provision related to pension expense, while SCI had PHP2.37 thousand NOLCO. SEU also recorded Deferred Tax Assets of PHP30.15 thousand.

Consolidated Other Non-Current Assets increased by 32% YoY at PHP1.64 billion from PHP1.24 billion as at end of in 2012. This is mainly comprised of input VAT withheld on acquisition of capital goods and services of PHP974.90 million, input VAT withheld of Php164.53 million net of impairment allowance, advances for long-term construction contracts and prepaid rent of Php448.66 million, capitalized research and development costs of Php37.96 million and other miscellaneous non-current assets amounting to Php13.70 million. Coal, power, and SLPGC accounted for Other Non-Current Assets of PHP191.53 million, PHP147.89 million, and PHP1.26 billion, respectively.

Consolidated Total Liabilities increased by 27% YoY at PHP24.60 billion from PHP19.32 billion. Coal, power, SLPGC, SCI, SEU, SCIPDI, SBPGC, and SRPGC accounted for PHP10.95 billion, PHP7.12 billion, PHP6.63 billion, PHP44.00 thousand, PHP37.57 thousand, PHP64.76 thousand, PHP27.50 thousand, and PHP27.50 thousand, respectively.

Consolidated Total Current Liabilities decreased by 18% YoY at PHP9.99 billion from PHP12.17. Coal, power, SLPGC, SCI, SEU, SCIPDI, SBPGC and SRPGC accounted for PHP6.58 billion, PHP3.18 billion, PHP234.87 million, PHP44 thousand, PHP37.57 thousand, PHP64.76 thousand, PHP27.50 thousand and PHP27.50 thousand, respectively.

Consolidated Trade and Other Payables dropped by 9% YoY at PHP6.18 billion from PHP6.81 billion beginning balance. The decrease is mainly attributed to settlements of trade payables. Coal, power, SLPGC, SCI, SEU, SCIPDI, SBPGC and SRPGC accounted for PHP4.29 billion, PHP1.66 billion, PHP234.87 million, PHP44 million, PHP37.57 million, PHP64.76 million, PHP27.5 million and PHP27.5 million, respectively.

Short-term loans increased by 842% YoY at PHP1.66 billion from PHP175.65 million beginning balance due to availment by the coal segment of short-term working capital loans during the period.

Consolidated Current Portion of Long-Term Debt dropped by 58% YoY at PHP2.15 billion from PHP5.18 billion due to debt service of maturing loan amortization and refinancing of coal segment's USD loans to take advantage of low interest rates. Coal and power segments accounted for PHP631.52 million and PHP1.52 billion, respectively.

Consolidated Total Non-Current Liabilities increased by 104% YoY at PHP14.61 billion from PHP7.15 billion due to increase in long-term debt net of current portion. Coal, power, and SLPGC accounted for PHP4.16 billion, PHP3.82 billion and PHP5.68 billion, respectively.

Consolidated Long-Term Debt increased by 95% YoY at PHP13.68 billion from PHP7.00 billion. This is primarily due to the drawdown of SLPGC from its project financing facility amounting to PHP6.99 billion, and loan availments of medium-term loans by the coal segment to fund for additional mining equipment, as well as refinancing of maturing loans. Coal, power, and SLPGC accounted for PHP4.16 billion, PHP3.82 billion and PHP5.68 billion, respectively.

Provision for Decommissioning and Site Rehabilitation increased by 215% YoY at PHP196.50 million from PHP62.45 million. This accounted for coal and power provisions of PHP185.89 million and PHP10.62 million, respectively. The increase is mainly due to the coal segment's increase in mine rehabilitation contingency.

Pension Liabilities decreased by 13% YoY at PHP31.65 million from PHP36.55 million. Coal and power recorded Pension Liabilities of PHP22.10 million and PHP9.55 million, respectively. Other non-current liabilities increased by 1148% YoY at PHP723.35 million from PHP57.94 million. The amount accounted for the payable of SLPGC retention payable on long-term contract payments to contractor for the building of the power plants.

After accounting for income generation of PHP7.53 billion and payment of cash dividends of PHP4.28 billion during the period, consolidated Stockholders' Equity increased by 19% YoY at PHP20.13 billion from PHP16.87 billion in 2012.

Additional loan availments increased Debt-to-Equity ratio by 7% YoY at 1.22:1 from 1.15:1 last year.

IV. **PERFORMANCE INDICATORS:**

3. **Earnings per Share** – The continued growth in the Company's profitability is reflected in its increasing EPS. While coal showed strong performance in 2013, power was outstanding, with the reliable operations of both power plants after they

have been rehabilitated. Moreover, high spot prices in November and December augmented the power segment's profitability.

4. **Debt-to-Equity Ratio** – Low DE ratio gives the Company more room to take on more debts to finance its expansion activities. Given the favorable borrowing climate, debt remains to be the cheapest funding source.
5. **Business Expansion** – The Company enjoys the unique advantage of operating coal-fired power plants using its own coal for fuel. Its integrated business provides more opportunities for synergistic growth, especially with the current investment climate where funding is cheap and power supply is tight.
6. **Expanded Market** – Higher capacity and availability of the rehabilitated power units increased requirement for Semirara coal. Moreover, new coal-fired power plants designed to use the grade of Semirara coal, including the expansion projects of the Company, are expected to come online. Meanwhile, the power supply contract with Meralco creates a reliable and stable market for the power segment being a base load plant. Moreover, the open access regime for electricity began commercial operation in June. This will provide the power segment alternative distribution outlets, such as the Retail Electricity Suppliers (RES) or large power consumers.
7. **Improved coal quality** – Quality enhancing measures are continuously implemented in the mining operations to improve customer satisfaction and maximize returns. On the other hand, low grade and washable coal are strategically used to feed power Unit 2.

V. **OTHER INFORMATION:**

1. There were no known trends, events or uncertainties that have material impact on liquidity.
2. The Corporation provides interim corporate suretyship in favor of the lenders of SCPC for its PHP9.6 billion 7-year loan availed on 26 May 2010. The security may however be suspended within the term of the loan when the conditions set forth in the loan contract are met. SCPC started to amortize the loan in 2011; as at end of the year outstanding balance decreased to PHP8.75 billion.
3. There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.
4. The Corporation has issued purchase orders to suppliers for mining equipment amounting to P180 million for delivery Q1 2012. Additional mining equipment worth USD7.65 million will be purchased in 2012 with various delivery dates falling on the second half 2012. Moreover a 1 x 15 MW CFB Power Plant will be constructed in Semirara Island for its mine operation, a replacement of the old unit with estimated cost of P1.2 billion. The equipment purchases will be financed with medium-term loans that match the life of the assets while the power plant will be financed via long term loan, all to be sourced from local banks.
5. For 2012, we expect an increase in the demand for Semirara Coal in the domestic market with the commissioning of new power plants and small boilers that can utilize 100% Semirara coal. This trend is expected to continue in the next two years as a result of the competitiveness of Semirara Coal over imported coal.
6. There are no significant elements of income or loss from continuing operations.
7. There were no subsequent events that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements.
8. The Group's operation is not cyclical or seasonal in nature. Mining activities is continuous throughout the year as coal production output from period to period can be adjusted through efficient mine planning on both short-term and long-term, mitigating negative impact of the rainy season to mine operations. The power generation business is also operational throughout the year as maintenance shutdown is just part of normal operation of the plant and programmed ahead of time.

B. **INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS**

The principal accountants and external auditors of the Company and its Subsidiaries¹⁰ is the accounting firm SyCip Gorres Velayo & Co. (SGV). Pursuant to the General Requirements of SRC Rule 68, paragraph 3 (Qualifications and Reports of Independent Auditors), the Company and its Subsidiaries has engaged the services of SGV as external auditor of the Company, and Ms. Cyril Jasmin B. Valencia is the Partner-In-Charge starting 2012 or less than five years following the regulatory policy of audit partner rotation every five years.

On February 23, 2016, the Board of Directors of the Corporation, upon recommendation of its Audit Committee, approved and recommended the re-appointment of SGV, subject to the stockholders' approval, as the Corporation's Independent External Auditor for the fiscal year 2016.

(1) External Audit Fees and Services

- (a) **Audit & Audit Related Fees.** - The Company and its Subsidiaries paid its external auditors the following fees in the past two (2) years:

In Millions Pesos with VAT	
2014	4.9 ¹¹
2015	5.4 ¹²
Total	10.3¹³

¹⁰ SCPC and SLPGC were incorporated in November 2009 and August 2011, respectively.

¹¹ Includes Subsidiaries audit fee of P2.6 Million.

¹² Includes Subsidiaries audit fee of P2.4 Million.

¹³ Audit and audit-related fees only; no fees for other assurance and related services were paid.

- (b) **Tax Fees.** - There are no fees billed in each of the last fiscal years for professional services rendered by the SGV for tax accounting, compliance, advice, planning and any other form of tax services.
- (c) **All Other Fees.** – In 2015, non-audit fees paid to SGV amounted to PHP73,920.00 for engagement in performing as an independent party to count and/or validate the votes at the Annual Stockholders' Meeting. There are no significant fees paid in 2015 for products and services provided by SGV other than services reported under item (a) above.
- (2) There have been no changes in or disagreement with the Company and its Subsidiaries' accountant on accounting and financial disclosures.
- (3) The Company's Audit Committee oversees the external audit function on behalf of the Board of Directors (Board). It recommends the appointment, reappointment or replacement of external auditor to the Board. It is charge with the evaluation of the audit work engagements, its scope, fees and terms for approval of the Board. The Audit Committee also reviews non-audit services and taxation advice, if any, by the external auditor. At the conclusion of the annual audit, it discusses with Management and the external auditor significant reporting issues. Lastly, the Audit Committee reviews external audit findings in respect of any significant deficiencies or weaknesses in controls and ensure that Management responds appropriately with timely corrective actions, including audit adjusting entries noted or proposed but passed as immaterial or otherwise. The current members of the Audit Committee of the Corporation are as follows: (1) Victor C. Macalincag (Chairman); Victor A. Consunji (Member) and Rogelio M. Murga (Member).

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

A. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

- (1) **The following are the names, citizenship, educational attainment, positions, offices and business experiences of all incumbent Directors and Executive Officers of the Company:**

Directors:

1. **Isidro A. Consunji**, 67, Filipino, has been the Chairman of SMPC since May 2014. Currently, he serves as SMPC's Chief Executive Officer, and member of the Nomination & Election Committee. He is a graduate of B.S. Civil Engineering at the University of the Philippines. He holds a Master's Degree in Business Economics from the Center for Research & Communication, and Business Management from the Asian Institute of Management. He also took an Advanced Management from IESE School in Barcelona, Spain. He is also the Chairman & CEO of SEM-Calaca Power Corporation, Semirara Claystone Inc., Semirara Energy Utilities Inc., St. Raphael Power Generation Corporation, SEM-Balayan Power Generation Corporation, Southwest Luzon Power Generation Corporation, SEM-Cal Industrial Park Developers Inc., and DMCI Mining Corporation. He is also the Chairman of ENK Plc (U.K.); Vice-Chairman of DMCI Masbate Power Corporation; Director of Dacon Corporation, M&S Company Inc., DMCI Projects Developers, Inc., Crown Equities, Inc. (*listed company*), Toledo Mining Corporation Plc (U.K.) Semirara Cement Corporation, Atlas Consolidated Mining and Development Corporation (*listed company*), Maynilad Water Services, Private Infra Dev Corp., and SEM-Calaca Res Corporation; and President of DMCI Holdings, Inc. (*listed company*). He was the former President of the Philippine Constructors Association and Philippine Chamber of Coal Mines, Inc. He is a Civil Engineer by profession.
2. **Victor A. Consunji**, 65, Filipino, has been a Director of SMPC since May 2001 and Vice-Chairman of the Board since 2014. Currently, he serves as SMPC's President, Chief Operating Officer, and a member of the Audit Committee. He is a graduate of A.B. Political Science at the Ateneo de Davao. He is also the President and COO of SEM-Calaca Power Corporation, Semirara Claystone Inc., Semirara Energy Utilities Inc., St. Raphael Power Generation Corporation, SEM-Balayan Power Generation Corporation, Southwest Luzon Power Generation Corporation, and SEM-Cal Industrial Park Developers Inc.; Chairman, President & CEO of Semirara Training Center, Inc.; Chairman and CEO of DMCI Power

Corporation; Chairman & President of Sirawai Plywood & Lumber Corp., and SEM-Calaca Res Corporation; Chairman of One Network Bank and Divine Word School of Semirara Island, Inc.; Director of DMCI Holdings, Inc. (*listed company*), D.M. Consunji, Inc., M&S Company, Inc., Dacon Corporation, Sodaco Agricultural Corporation, DMC Urban Property Developers, Inc., Ecoland Properties, Inc., DMCI Masbate Power Corporation, and DMCI Mining Corporation; and President of Sirawai Plywood & Lumber Corp.; and Vice-President of Dacon Corporation.

3. **Jorge A. Consunji**, 64, Filipino, has been a Director of SMPC since May 2001. He is a graduate of B.S. Industrial Management Engineering at the De La Salle University. He is also the Chairman of DMCI Masbate Power Corporation; and Director of DMCI Holdings, Inc. (*listed company*), Dacon Corporation, DMCI Project Developers, Inc., SEM-Calaca Power Corporation, Southwest Luzon Power Generation Corporation, Semirara Claystone Inc., Semirara Energy Utilities Inc., St. Raphael Power Generation Corporation, SEM-Balayan Power Generation Corporation, SEM-Cal Industrial Park Developers Inc., SEM-Calaca Res Corporation, Cotabato Timberland Co., Inc., M&S Company, Inc., Sodaco Agricultural Corporation, DMCI Mining Corporation, DMCI Power Corporation, Eco-Process & Equipment Phils. Inc., and Maynilad Water Services, Inc.; President & COO of D.M. Consunji, Inc., and Royal Star Aviation, Inc.; and Vice-President of Divine Word School of Semirara Island, Inc. He was the former Chairman of the Board of Contech Panel Mfg., Inc., and of Wire Rope Corp. of the Philippines. He was the former President of ACEL and Former First Vice-President of Phil. Constructors Association.
4. **Cesar A. Buenaventura**, 86, Filipino, has been a Director of SMPC since May 2001. He graduated from the University of the Philippines with a degree of Bachelor of Science in Civil Engineering. He received his M.S. Civil Engineering as Fulbright Scholar at the Lehigh University, Bethlehem, Pennsylvania. In 1991, Mr. Buenaventura was made Honorary Officer of the Order of the British Empire (OBE) by Her Majesty Queen Elizabeth II. He is currently the Chairman of Maibarara Geothermal, Inc., and Vice-Chairman of Atlantic Gulf & Pacific Company of Manila (AG&P), DMCI Holdings, Inc. (*listed company*), and Montecito Properties, Inc. He is a director of DMCI Holdings, Inc., iPeople, Inc. (*listed company*), PetroEnergy Resources Corp. (*listed company*), AG&P Company of Manila, Maibarara Geothermal, Inc., Montecito Properties, Inc., Pilipinas Shell Petroleum Corporation, Philippine American Life Insurance Company, and Manila International Airport Authority. He is the founding Chairman of Pilipinas Shell Foundation, Inc., and founding member of the Board of Trustees of the Makati Business Club. His former affiliations are: President of the Benigno S. Aquino Foundation; Member of the Board of Trustees of Asian Institute of Management; Chief Executive Officer of Shell Group of Companies; Member of the Monetary Board of the Central Bank of the Philippines; Member of the Board of Directors of the Philippine International Convention Center; Member of the Board of Regents of the University of the Philippines. He was also a former director of Ayala Corporation, First Philippine Holdings Corporation, Philippine Airlines, Philippine National Bank, Benguet Corporation, Asian Bank, Ma. Cristina Chemical Industries, and Paysetter International Inc.
5. **Herbert M. Consunji**, 63, Filipino, has been a Director of SMPC since May 2001. He earned his degree of Bachelor of Science in Commerce Major in Accounting at De La Salle University. Currently, he is the Chairman, Subic Water & Sewerage Corp.; Director of DMCI Holdings, Inc. (*listed company*), DMCI Power Corporation, DMCI Mining Corporation, SEM-Calaca Power Corp., Southwest Luzon Power Generation Corporation, Subic Water & Sewerage Corp., SEM-Cal Industrial Park Developers Inc.; Vice-President & CFO, DMCI Holdings, Inc.; and Treasurer of SEM-Calaca Res Corporation.
6. **Maria Cristina C. Gotianun**, 61, Filipino, has been a Director of SMPC since May 2006 and currently serves as SMPC's Executive Vice-President and member of the Remuneration & Compensation Committee. She is a graduate of B.S. Business Economics at the University of the Philippines and majored in Spanish at the Instituto de Cultura Hispanica in Madrid, Spain. She is also a Director and Corporate Secretary of Dacon Corporation; Vice-President for Finance & Administration/CFO of D.M. Consunji, Inc.; Finance Director of DMC-Project Developers, Inc.; Director and Treasurer of SEM-Calaca Power Corporation, Southwest Luzon Power Generation Corporation, Semirara Claystone Inc., Semirara Energy Utilities Inc., St. Raphael Power Generation Corporation, SEM-Balayan Power Generation

Corporation, DMCI Power Corporation, DMCI Masbate Power Corporation, and SEM-Cal Industrial Park Developers Inc.; Assistant Treasurer of DMCI Holdings, Inc. (*listed company*); and a Trustee, CFO and Corporate Secretary of Divine Word School of Semirara Island, Inc.

7. **Ma. Edwina C. Laperal**, 54, Filipino, has been a Director of SMPC since May 2007. She is a graduate of B.S. Architecture at the University of the Philippines, obtained her Master's Degree in Business Administration at the same University, and earned her Executive Certificate for Strategic Business Economics Program at the University of Asia & The Pacific. She is currently a Director and Treasurer of Dacon Corporation, DMCI Holdings, Inc. (*listed company*), D.M. Consunji, Inc., DFC Holdings, Inc., and DMCI Project Developers, Inc.; and Director of SEM-Calaca Power Corporation, and DMC Urban Property Developers, Inc.
8. **Josefa Consuelo C. Reyes**, 68, has been a Director of SMPC since March 2015. She is a graduate of AB Economics at the University of British Columbia, Vancouver, Canada. She is currently the General Manager of Manila Herbal & Essential Oils Co., Inc.; Corporate Secretary of the Philippine Coffee Board; Director and Chairperson of Ecology Village Association. She also worked as Vice-President/Director of Ecology Village Association. She also took Strategic Business Economics Program at the University of Asia and the Pacific in 2007.
9. **George G. San Pedro**, 76, Filipino, has been a Director of SMPC since May 2001 and currently serves as SMPC's Vice-President for Operations and Resident Manager. He is a graduate of B.S. Civil Engineering at the University of the Philippines. He is also the President of Divine Word School of Semirara Island, Inc. and Vice-President of Semirara Training Center, Inc. He used to work for D.M. Consunji, Inc., Dacon Wood Based Companies, DMC Construction Equipment Resources, Inc., and CONBROS Shipping Corporation. He is a Civil Engineer by profession.
10. **Victor C. Macalincag**, 80, Filipino, has been an Independent Director of SMPC since May 2005 and currently serves as the Chairman of the Audit Committee and Compensation & Remuneration, and member of Nomination & Election Committees of SMPC. He is a holder of a Bachelor of Business Administration (BBA) degree from the University of the East and a Certified Public Accountant (CPA). He completed his academic requirements for a Masteral Degree in Economics and is a fellow of the Economic Development Institute of the World Bank. Currently, he is an Independent Director of Ceres Property Ventures, Inc., Crown Equities, Inc. (*listed company*), Republic Glass Holdings, Corporation (*listed company*), ISM Communications Corporation (*listed company*), Atok-Big Wedge Co., Inc. (*listed company*), PhilWeb Corporation (*listed company*), Alphaland Corporation, and SEM-Calaca Power Corporation. He is also a regular Director of One Wealthy Nation Fund, Inc., and Asian Alliance Investment Corp. He was formerly the Undersecretary of Finance (1986-1991), Deputy Minister of Finance (1981-1986), Treasurer of the Philippines (1983-1987), President of Trade & Investment Development Corporation of the Philippines (PHILEXIM) (1991-2001). He was also a director of the Home Guarantee Corporation (1979-2001), the Philippine Overseas Construction Board (1991-2001), the Philippine Long Distance Telephone Company (1988-1995), the National Power Corporation (1978-1986), Universal LRT-7 Corporation (2003-2010), and Philippine Deposit Insurance Corporation (1983-1991). He was Chairman of Pilipinas Bank (1984-1988) and Executive Vice-President of Land Bank of the Philippines (1981-1982). He was also a director of Philippine Aerotransport, Inc., Paper Industries Corporation of the Philippines, Lumang Bayan Realty Corporation, and Manila Midtown Development Corporation.
11. **Rogelio M. Murga**, 81, Filipino, has been an Independent Director of SMPC since November 2014, and also serves as the Chairman of the Nomination & Election Committee, and a member of both Audit Committee and Compensation & Remuneration Committees of SMPC. He graduated from the University of the Philippines with a Bachelor of Science degree in Mechanical Engineering in 1958. In 1980, he also completed his Senior Management Program at Harvard Business School in Vevey, Switzerland, and was conferred in 2004 an Honorary Degree of Doctor of Science – *Honoris Causa* by Feati University.

Currently, he is the Chairman & CEO of Private Infra Dev Corp. and an Independent Director of SEM-Calaca Power Corporation and Meralco Industrial Engineering Services Corp. His

previous employment affiliation includes: President and Chief Executive Officer of the National Power Corporation; Director, President, Chief Operating Officer and eventually Vice-Chairman of EEI Corporation; President of Philippine Constructors Association; President of the International Federation of Asian and Western Pacific Contractors Association; Member of the Management Association of the Philippines; and finally as Chairman of the Committee on Engineering and Construction of the Philippine Chamber of Commerce and Industry. He was also a Consultant of DCCD Engineering Corporation and taught as Engineering Professor at the National University.

Executive Officers:

Isidro A. Consunji*	-	Chief Executive Officer
Victor A. Consunji*	-	President & Chief Operating Officer
Maria Cristina C. Gotianun*	-	Executive Vice-President
George G. San Pedro*	-	VP Operations & Resident Manager
Junalina S. Tabor	-	Chief Finance Officer
Jaime B. Garcia	-	VP Procurement & Logistics
Nena D. Arenas	-	Chief Governance Officer & Compliance Officer
John R. Sadullo	-	VP Legal & Corporate Secretary
Antonio R. delos Santos	-	VP Treasury
Jose Anthony T. Villanueva	-	VP Marketing
Sharade E. Padilla	-	AVP Investor and Banking Relations

**Member of the Board*

1. **Jaime B. Garcia**, 60, Filipino, is the Vice-President for Procurement and Logistics and has held as such since May 2006. Over 25 years of experience in senior management level with D.M. Consunji Group of Companies inclusive of overseas experience in strategic sourcing and supply chain management, procurement, materials management and logistics in coal mining industry, energy (coal fired power plant), construction, shipping, agro-forest timber and wood processing, aviation and maritime industry. He graduated with a degree of B.S. Management and Industrial Engineering at Mapua Institute of Technology and obtained his Master's degree in Business Administration at De La Salle University in 1994 and in Business Economics at the University of Asia & the Pacific in 1998. He is currently holding the position of Secretary and Treasurer of Royal Star Aviation, Inc., Director of Semirara Cement Corporation, Executive Vice-President of DMC Construction Equipment Resources, Inc., Director & Vice-President of M&S Company, Inc., Vice-President of Zanorte Palm-Rubber Plantation Inc., and South Davao Development Co., Inc.

2. **Junalina S. Tabor**, 52, Filipino, has been the Chief Finance Officer of SMPC since May 2010. She graduated *Magna Cum Laude* with a degree of Bachelor in Science in Commerce, Major in Accounting 1984 at Saint Joseph College and is a Certified Public Accountant. She obtained her Master of Public Administration at the University of the Philippines in 1995 under the Local Scholarship Program (LSP) of the Civil Service Commission. She earned her Certificate in Business Economics from the School of Economics, University of Asia and The Pacific in June 2012 under its Strategic Business Economics Program (SBEP) and also completed the modular course in Computer Literacy Program at Systems Technology Institute as half scholar in 1988. Prior to joining the Corporation in 1997, she held various positions with the Commission on Audit from State Auditor Examiner to State Auditor in 1984-1997. She was Team Leader in special audit engagements in certain government owned and controlled corporations from 1994-1996. She is also concurrently the Chief Finance Officer of SEM-Calaca Power Corporation.

3. **John R. Sadullo**, 45, Filipino, is the Vice-President for Legal (appointed November 2013), Corporate Secretary, Counsel and Corporate Information Officer of the Corporation, and has held as such since May 2005. He graduated with a degree of A.B. Major in Political Science at the University of Santo Tomas. He obtained his Bachelor of Laws Degree at San Beda College of Law in 1996 and was admitted to the BAR in 1997. He currently holds the position of Corporate Secretary of SEM-Calaca Power Corporation, Southwest Luzon Power Generation Corporation, Semirara Energy Utilities Inc., St. Raphael Power Generation Corporation, SEM-Balayan Power Generation Corporation, Semirara Claystone Inc., SEM-Cal Industrial Park Developers Inc., and SEM-Calaca Res Corporation. He is also the Assistant Corporate

Secretary of Semirara Training Center, Inc. and previously the Corporate Secretary of DMCI Mining Corporation and DMCI Masbate Power Corporation.

4. **Nena D. Arenas**, 55, Filipino, is the Chief Governance Officer and Compliance Officer of SMPC and has held as such since August 2013. Before her appointment, she was Good Governance Officer of the Corporation since July 2005. Prior to joining the Corporation, she was a Director, Chief Finance Officer and Vice-President of MCA Universal Inc.; Director of MCA Music Inc. and Reach Youth Ministries, a non-stock, non-profit organization. She has more than fifteen years extensive experience in finance, accounting, budget & forecasting, information technology, warehousing, legal & business affairs, human resources and administration management. She also has seven years of experience in external audit at SGV & Co. She is currently a Fellow of the Institute of Corporate Directors. She is a Certified Public Accountant and graduated *Cum Laude* with a degree in Bachelor of Science major in Accounting at the University of St. La Salle.
5. **Antonio R. delos Santos**, 63, Filipino, is the Vice-President for Treasury since November 2013. He graduated with a degree of Bachelor of Science in Business Administration at De La Salle University. He was the Treasury Head of the Corporation prior his appointment. Before joining the Corporation, he was the Finance Officer of DMCI Holdings, Inc.
6. **Jose Anthony T. Villanueva**, 51, Filipino, is the Vice-President for Marketing since November 2013. He received his Bachelor of Science Degree in Mechanical Engineering and obtained his Master's Degree in Business Administration both at De La Salle University. He also earned his Master's Degree in Public Management at the University of the Philippines. He has undergone intensive training in financial modeling in Singapore and completed the Petroleum Energy Policy and Management Program in Norway as full scholar of the Norwegian Petroleum Directorate. Prior to his appointment, he was the Marketing Manager of the Corporation since 2011. For more than 20 years he has been the forefront of the energy industry and held various positions as Department Manager for Finance and Planning, Business Development and Information Technology, Corporate Planning and as General Manager for Coal Division of state-owned company engaged in the exploration, development and production of geothermal, oil and gas and coal in the Philippines.
7. **Sharade E. Padilla**, 38, Filipino, is the Assistant Vice-President for Investor and Banking Relations and has held as such since November 2013. She graduated *Magna Cum Laude* with a degree of Bachelor of Business Administration, Major in Management and obtained her Master's degree in Business Administration both at Siliman University. Before her appointment, she held the following positions in the Corporation: Investment Relations and Business Development Officer (2007-2013), and Senior Financial Analyst (2003-2007). Her previous affiliations include Jr. Financial Analyst, Dacon Corporation; and Information Officer/Executive Assistant of the City Administrator of Tacloban City. She has nine years of experience in investor relations and more than eleven years of experience in financial analysis and in treasury and banking relations, among others.

The nominees for election or re-election of the directors have been indicated in the Company's Definitive Information Statement (SEC Form 20-IS) sent to stockholders of record. The officers of the company will be known in the organizational meeting of the Board of Directors which will follow immediately after the annual stockholders' meeting. Neither of the Company's directors nor senior management employed or became a partner of the current external auditor of the Company in the past two (2) years.

Board Meeting and Attendance. – At the beginning of the year, the Board is advised of the schedule of meetings for the calendar year without prejudice to call a special board meeting when required by the Corporation's operation and other exigency. In the conduct of meeting, the quorum requirement under the law is simple majority of the members of the Board while approval of corporate acts and resolutions requires majority of the Board present.

The record of attendance of Directors to board meetings for the year 2015 is as follows:

Board	Name	Date of Election	Number of Meeting Held during the Year	Meetings Attended	%
Chairman Emeritus	David M. Consunji ¹⁴	May 4, 2015	2	0	0
Chairman	Isidro A. Consunji	May 4, 2015	11	11	100
Member	Victor A. Consunji	May 4, 2015	11	11	100
Member	Jorge A. Consunji	May 4, 2015	11	11	100
Member	Herbert M. Consunji	May 4, 2015	11	11	100
Member	Cesar A. Buenaventura	May 4, 2015	11	11	100
Member	Maria Cristina C. Gotianun	May 4, 2015	11	11	100
Member	Ma. Edwina C. Laperal	May 4, 2015	11	11	100
Member	Josefa Consuelo C. Reyes ¹⁵	May 4, 2015	9	9	100
Member	George G. San Pedro	May 4, 2015	11	11	100
Independent	Victor C. Macalincag	May 4, 2015	11	11	100
Independent	Rogelio M. Murga	May 4, 2015	11	11	100

None of the directors has absented himself for more than 50% from all meetings of the Board during the 12-month period of his incumbency.

Term of Office. - The term of office of the Directors and Executive Officers is one (1) year from their election. All Directors will have served for a period of approximately twelve (12) months by May 2, 2016.

Independent Directors. - Under its Revised Code of Corporate Governance, as amended, submitted to the SEC on March 8, 2011, the Corporation is required to have at least two (2) Independent Directors or such number of Independent Directors as shall constitute at least twenty percent (20%) of the members of the Board of Directors of the Corporation, whichever is lesser. The two (2) nominees for Independent Directors will be selected by the Nomelec in accordance with the guidelines in the Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, Series of 2009) and the Guidelines on the Nomination and Election of Independent Directors (SRC Rule 38).

On December 8, 2008, the SEC approved the amendment to the Corporation's By-Laws to include Art. III thereof on the adoption of SRC Rule 38. The Corporation abides to SRC Rule 38, its By-Laws, and the relevant or subsequent circulars, memoranda or notices of SEC regarding the qualifications, nomination and election, the submission of Certificate of Qualification, and the required number of independent directors. DMCI Holdings, Inc. (DHI) is the majority stockholder of the Corporation and the nominated independent directors are neither stockholders nor directors of DHI.

In 2015, Messrs. Victor C. Macalincag and Rogelio M. Murga were nominated by a non-controlling stockholder and elected by the stockholders as independent directors of the Company. To date, Mr. Macalincag has served as such since 2004 while Mr. Murga became an independent director on November 11, 2014. The Company has not encountered any restraint from the stockholders in retaining its independent directors. It has been a consensus of the stockholders to elect them during the meeting. Notwithstanding the recent SEC Memorandum Circular No. 9, Series of 2011, which took effect on January 2, 2012, the independent directors herein are compliant with the term limit requirement.

¹⁴ Resigned as director effective March 6, 2015. Mr. Consunji was not able to attend two (2) meetings prior to his resignation.

¹⁵ Ms. Reyes was only appointed regular director on March 6, 2015.

Other Directorship Held in Reporting Companies:

Cesar A. Buenaventura	<ul style="list-style-type: none"> ▪ Vice-Chairman, DMCI Holdings, Inc. ▪ PetroEnergy Resources Corporation ▪ iPeople, Inc.
Isidro A. Consunji	<ul style="list-style-type: none"> ▪ Chairman, President & CEO, DMCI Holdings, Inc. ▪ Director, Crown Equities, Inc. ▪ Director, Atlas Consolidated Mining and Development Corp.
Jorge A. Consunji	<ul style="list-style-type: none"> ▪ Director, DMCI Holdings, Inc.
Victor A. Consunji	<ul style="list-style-type: none"> ▪ Director, DMCI Holdings, Inc.
Herbert M. Consunji	<ul style="list-style-type: none"> ▪ Director, DMCI Holdings, Inc.
Ma. Edwina C. Laperal	<ul style="list-style-type: none"> ▪ Director, DMCI Holdings, Inc.
Victor C. Macalincag	<ul style="list-style-type: none"> ▪ Independent Director, Crown Equities, Inc. ▪ Independent Director, Republic Glass Holdings, Inc. ▪ Independent Director, ISM Communications Corp. ▪ Independent Director, Atok-Big Wedge Co., Inc. ▪ Independent Director, PhilWeb Corporation

(2) The following are the Significant Employees/Executive Officers of the Issuer:

Names	Citizenship	Position	Age
Isidro A. Consunji	Filipino	Chairman & CEO	67
Victor A. Consunji	Filipino	Vice-Chairman, President & COO	65
Maria Cristina C. Gotianun	Filipino	Executive Vice President	61
Junalina S. Tabor	Filipino	VP & Chief Finance Officer	52
George G. San Pedro	Filipino	VP-Operations & Resident Manager	76
Jaime B. Garcia	Filipino	VP-Procurement & Logistics	60
Nena D. Arenas	Filipino	VP, Chief Governance Officer & Compliance Officer	55
John R. Sadullo	Filipino	VP-Legal & Corporate Secretary	45
Antonio R. delos Santos	Filipino	VP-Treasury	63
Jose Anthony T. Villanueva	Filipino	VP-Marketing	51
Sharade E. Padilla	Filipino	AVP-Investor and Banking Relations	38

(3) Family Relationship. - The family relationship up to the fourth civil degree either by consanguinity or affinity among directors or executive officers is as stated below.

Messrs. Isidro A. Consunji, Victor A. Consunji, Jorge A. Consunji, Maria Cristina C. Gotianun, Josefa Consuelo C. Reyes and Ma. Edwina C. Laperal are siblings and Mr. Herbert M. Consunji is their cousin.

(4) Involvement in Certain Legal Proceedings. - None of the directors and officers was involved in the past five years in any bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding, nor been subject to any order, judgment or decree of competent jurisdiction, permanently enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court or administrative body to have violated a securities or commodities law.

Except for the following, none of the directors and executive officers of the Company is subject to any pending criminal cases:

- (a) **Pp. vs. Consunji, et. al., Criminal Case No. Q-02-114052, RTC-QC, Branch 78.** - A complaint for violation of Article 315(2)(a) of the Revised Penal Code, as qualified by Presidential Decree No. 1689 was filed in RTC-QC Branch 78 as Criminal Case No. Q-02-114052 pursuant to a resolution of the Quezon City Prosecutor dated December 3, 2002 in I.S. No. 02-7259 finding probable cause against the directors and officers of Universal Leisure Club (ULC) and its parent Company, Universal Rightfield Property Holdings, Inc., including Isidro A. Consunji as former Chairman, Cesar A. Buenaventura and Ma. Edwina C. Laperal as former directors of ULC. Complainants claim to have been induced to buy ULC shares of stock on the representation that ULC shall develop a project known as “a network of 5 world clubs.”

The case was re-raffled to RTC-QC Branch 85 (the “Court”). On January 10, 2003 respondents filed their Motion for Reconsideration on the resolution dated December 3, 2002 recommending the filing of the complaint in court, which was granted on August 18, 2003. Accordingly, a Motion to Withdraw Information was filed in Court. On September 11, 2003, complainants’ sought reconsideration of the resolution withdrawing the information, but was denied by the City Prosecutor. By reason of the denial, Complainants’ filed a Petition for Review with the Department of Justice (DOJ) on August 26, 2005.

Meanwhile, the Court granted the withdrawal of information on June 6, 2005. Complainants filed a Motion for Reconsideration and Urgent Motion for Inhibition, but were both denied by the Court in its Omnibus Order dated November 29, 2005. Thereafter, a Notice of Appeal was filed by the complainants, but was ordered stricken out of records by the Court for being unauthorized and declaring the Omnibus Order final and executory in its Order dated February 22, 2007. The Petition for Review, however, filed by the Complainants with the DOJ on August 26, 2005 is pending to date.

- (b) **Rodolfo V. Cruz, et. al. vs. Isidro A. Consunji, et. al., I.S. Nos. 03-57411-I, 03-57412-I, 03-57413-I, 03-57414-I, 03-57415-I, 03-57446-I and 03-57447-I, Department of Justice, National Prosecution Service.** - These consolidated cases arose out of the same events in the above-mentioned case, which is likewise pending before the DOJ.

In its 1st Indorsement dated December 9, 2003, the City Prosecutor for Mandaluyong City, acting on a motion for inhibition filed by complainants recommended that further proceedings be conducted by the DOJ. In an order dated February 3, 2004, the DOJ designated State Prosecutor Geronimo Sy to conduct the preliminary investigation of this case. The last pleading filed is a notice of change of address dated June 27, 2008 filed by complainants’ counsel.

B. EXECUTIVE COMPENSATION

All executive officers of the Company are elected or appointed by the Board of Directors and serve for one year and until their successors are duly elected and qualified. Set forth below are the names of the CEO and four (4) most highly compensated officers of the Company:

Name and Principal Position	Years	Salary	Bonus	Other Annual Compensation
Isidro A. Consunji Chairman & CEO				
Victor A. Consunji Vice-Chairman, President and COO				
George G. San Pedro VP & Resident Manager				
Jaime B. Garcia VP Procurement & Logistics				
Junalina S. Tabor VP & CFO				
	2014	12,009,910.41	72,419,117.66	5,196,330.50
	2015	12,009,910.41	72,419,117.66	5,196,330.50
	2016*	17,247,410.17	70,152,941.19	4,996,330.50
	Total	₱46,504,730.75	₱212,725,000.04	₱15,188,991.50
All other Directors and Officers as a group	2014	10,261,479.33	44,477,941.21	5,737,752.62
	2015	10,261,479.33	44,477,941.21	5,737,752.62
	2016*	12,188,106.46	43,007,353.29	11,827,752.62
	Total	₱34,637,692.25	₱130,492,647.79	₱29,393,257.86

**Approximate amounts*

The amount reflected as compensation of the named executive officers represents salary approved by the Company’s Board of Directors. The amounts indicated in relation thereto are restated to conform to the new accounting standards.

Executive directors of the Corporation receive an annual retainer fee of ₱240,000.00 as approved in the May 2009 Annual Stockholders' Meeting. In May 2015 however, the stockholders approved the increase in retainer fees of non-executive and independent directors to ₱150,000.00 or ₱1,800,000.00 per annum effective June 1, 2015. Fixed per diem of ₱20,000.00 for every meeting held and attended for each of the directors who serves as Chairman and members of the Corporation's Board Committees. Aside from executive Directors with employment compensation, there are no other directors with arrangements such as consulting contracts.

There is no contract covering their employment with the Corporation and they hold office by virtue of their election and/or appointment to office. The Corporation has no agreements with its named executive officers regarding any bonus, profit sharing, except for benefits for which they may be entitled under the Corporation's retirement plan. On the other hand, members of the Board of Directors may be granted bonuses in accordance with the Corporation's By-laws which prescribe a limit on the aggregate amount of Director bonuses which shall not exceed two percent (2%) of the Company's profit before tax during the previous year, while limit to total yearly compensation package, including bonuses granted, of Directors as such directors shall not exceed ten percent (10%) of the Company's net income before tax during the previous year.

In 2015, aggregate amount of cash bonus variable pay related to the preceding year's financial performance received by executive and non-executive Directors, including Independent Directors and the CEO, did not exceed above-mentioned limits set by the Company's Amended By-laws.

There are no outstanding warrants, options, or right to repurchase any securities held by the directors or executive officers of the Corporation.

C. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(1) **Security Ownership of Certain Record and Beneficial Owners.** - The following table sets forth as of March 10, 2016, the record or beneficial owners of more than 5% of the outstanding common shares of the Company and the amount of such record or beneficial ownership.

Title of Class	Name, Address of record owner and relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner ¹⁶	Citizen-ship	Amount/ Nature of Record/ Beneficial Ownership	% of Class
Common	DMCI Holdings, Inc., 3/F DACON Building, 2281 Pasong Tamo Ext., Makati City, Stockholder of record	1. Dacon Corporation, stockholder of 6,838,807,440 shares or 51.51% 2. DFC Holdings, Inc., stockholder of 2,370,782,060 or 17.86% 3. PCD Nominee Corp. (Foreign), stockholder of 2,135,807,751 shares or 16.08% 4. PCD Nominee Corporation (Filipino), stockholder of 1,498,703,029 shares or 11.29%	Filipino	601,942,599 (R)	56.32
Common	PCD Nominee Corp., stockholder of record	No stockholder owning 5% or more under PCD Nominee Corp. (Filipino)	Filipino	151,451,253	14.17
Common	Dacon Corporation, 2/F DMCI Plaza, 2281 Don Chino	Inglebrook Holdings, Inc. holds 4,085,695 shares or 12.45% ¹⁷	Filipino	130,825,527	12.24

¹⁶ As of March 10, 2016.

¹⁷ Other beneficial owners of Dacon Corporation with the same number of shares are Eastheights Holdings, Inc., Gulfshore Inc., Valemount Corporation, Chrismon Investment Inc., Jagjit Holdings, Inc., La Lumiere Holdings, Inc., Rice

	Roces, Makati City, stockholder of record				
Common	PCD Nominee Corp., stockholder of record	Hongkong and Shanghai Banking Corp. Ltd. holds 72,494,094 shares or 6.78%	Foreign	112,234,004	10.50

(2) **Security Ownership Management.** - The table sets forth as of March 10, 2016 the beneficial stock ownership of each Director of the Company and all Officers and Directors as a group.

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership			Citizenship	%
		Direct	Indirect ¹⁸	Total		
Common	Isidro A. Consunji	6,036	969,918	975,954	Filipino	0.09
Common	Cesar A. Buenaventura	18,030	-	18,030	Filipino	0.00
Common	Victor A. Consunji	36	1,581,414	1,581,450	Filipino	0.15
Common	Jorge A. Consunji	36	317,659	317,695	Filipino	0.03
Common	Herbert M. Consunji	32,280	-	32,280	Filipino	0.01
Common	Victor C. Macalincag	804,890	19,100	827,990	Filipino	0.08
Common	George G. San Pedro	120,090	-	120,090	Filipino	0.01
Common	Rogelio M. Murga	10,010	-	10,010	Filipino	0.00
Common	Maria Cristina C. Gotianun	357	1,300,659	1,301,016	Filipino	0.12
Common	Ma. Edwina C. Laperal	1,047	1,345,872	1,346,919	Filipino	0.13
Common	Josefa Consuelo C. Reyes	103,100	346,800	449,900	Filipino	0.04
Common	Jaime B. Garcia	144,108	-	144,108	Filipino	0.01
Common	Nena D. Arenas	4,000	-	4,000	Filipino	0.00
Common	Antonio R. Delos Santos	15,000	-	15,000	Filipino	0.00
Common	Jose Anthony T. Villanueva	750	13,890	14,640	Filipino	0.00
Common	Sharade E. Padilla	1,800	270	2,070	Filipino	0.00
Aggregate Ownership of all directors and officers as a group		1,265,570	5,895,582	7,161,152	Filipino	0.67

The percentages of ownership of the above officers and directors are very minimal. There are no arrangements, which may result in a change in control of the registrant.

D. CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

There has been no transaction or proposal, for the last two (2) years, to which the Company was or is party, in which any of the directors, executive officers or nominees for director has direct or indirect material interest, outside the recurring regular business transactions incurred by the Company to support the business. Related parties' services were sought to take advantage of affiliated companies' expertise and for cost efficiency, among others. These related party transactions were trade related and transacted at arms-length basis and at terms generally available to an unaffiliated third party or more clearly independent parties, under the same or similar circumstances. There were no transactions in the form of direct financial assistance to affiliates or related entities which are not wholly owned subsidiaries. Note 18 of Notes to Parent Company Financial Statements and Note 18 of Notes to Consolidated Financial Statements for the period ended December 31, 2015 indicate the Company's significant transactions with related parties.

PART V – DISCUSSION ON COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

Please refer to the attached 2015 Annual Corporate Governance Report

Creek Holdings, Inc. while Double Spring Investments Corporation only holds 114,427 shares or .34% of Dacon's issued and outstanding shares.

¹⁸ Shares are either held by members of the family sharing the same household or by a corporation of which the reporting person is a controlling shareholder.

PART VI – EXHIBITS AND SCHEDULES

A. Exhibits and reports on SEC Form 17-C

(1) **Exhibits.** - See accompanying Index to Exhibits as well as the Company’s Audited Financial Statements for the recently completed fiscal year. These financial statements are reports from the Company’s Independent Public Accountant, SGV & Co.

(2) **Reports on SEC Form 17-C.** - There are SEC Forms 17-C filed during the last six-month period covered by this report, to wit:

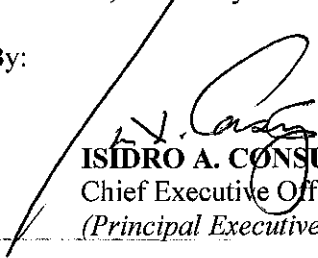
No.	Subject	Date Reported
1.	Board approval on the final list of nominees to the board of directors for May 2, 2016 annual stockholders’ meeting.	March 10, 2016
2.	Board approval on the Company’s Annual Consolidated Financial Statements as of December 31, 2015; fixing the date and venue of annual stockholders’ meeting on May 2, 2016 at the Big Function Room, Manila Golf & Country Club, Inc., Harvard Road, Forbes Park, Makati City with record dated on March 10, 2016; and re-appointment of SGV & Co., as the Company’s independent external auditor for fiscal year 2016, subject to stockholders approval.	February 23, 2016
3.	Court of Appeals’ Decision dated November 20, 2015 denying Bornea’s petition in the case of <i>Bornea vs. NLRC, et. al., CA GR SP No. 05581-MIN.</i>	February 18, 2016
4.	Results of NOMELEC meeting fixing the date of February 29, 2016 as the deadline in the submission of nominees to the board.	February 15, 2016
5.	Court order dated October 1, 2015 in the case <i>Power and Synergy, Inc. vs. Semirara Mining, et. al., Civil Case No. Q-10-66936, RTC-QC, Branch 97</i> granting Semirara’s motion to dismiss in view of PSI’s non-compliance with the court’s directives.	December 21, 2015
6.	Compliance with SEC Memorandum Circular No. 20, Series of 2013 on attendance of corporate governance training program for year 2015.	December 15, 2015
7.	CTA decision dated November 24, 2015 granting Semirara’s petition for review and reverse and set aside the decision of RTC. The notice of assessment by the Municipal Treasurer of Calaca, Batangas assessing Semirara for delinquent tax for years 2003-2005 in the sum of Php66.7 million was set aside and nullified for lack of legal and factual basis.	December 2, 2016
8.	Furnishing SEC of the financial highlights regarding the Company’s Analysts Briefing on November 26, 2015	November 26, 2015
9.	Clarification of news article entitled “ <i>Semirara sees strong coal</i> ” posted in The Manila Standard (Internet Edition); and “ <i>Semirara eyes 12% increase in coal output next year</i> ” posted in Manila Bulletin (Internet Edition), both on November 18, 2015.	November 20, 2015
10.	Scheduled Analysts Briefing on November 26, 2015 on the Company’s Third Quarter 2015 results and business updates.	November 17, 2015
11.	Board approval of the Company’s 3 rd Quarter Consolidated Financial Statements for the period ended September 30, 2015.	November 11, 2015
12.	Press Release where the Company’s giant clam hatchery won first runner-up in the corporate social responsibility category of the 2015 ASEAN Energy Awards in Kuala Lumpur, Malaysia.	October 28, 2015
13.	Press Release on being named finalist in the Platts Global Energy Awards where the Company was recognized for its 5Es Program under the corporate social responsibility category.	October 14, 2015
14.	Compliance with SEC Memorandum Circular No. 20, Series of 2013 on attendance of corporate governance training program for year 2015.	September 28, 2015

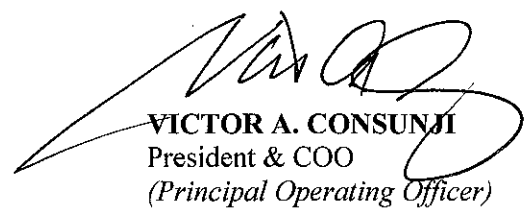
15.	DOE Order dated September 17, 2015 approving the resumption of mining operations of Coal Operating Contract No. 5.	September 28, 2015
16.	Execution of Power Supply Agreement between the Company's wholly-owned subsidiary, Southwest Luzon Power Generation Corporation and Manila Electric Company Local RES with a total capacity of 120MW effective March 26, 2016	August 25, 2015
17.	Clarification of news article entitled " <i>Semirara coal plant adds 300MW to grid</i> " posted in BusinessWorld Online on August 18, 2015.	August 19, 2015
18.	Scheduled Analysts Briefing on August 24, 2015 regarding the Company's First Haft 2015 Results and business updates.	August 18, 2015
19.	Board approval of the Company's 2 nd Quarter Consolidated Financial Statements as of and for the interim period ended June 30, 2015.	August 13, 2015
20.	Receipt of DENR-EMB Regional Office Order dated August 12, 2015 lifting the cease and desist order it issued on July 21, 2015 in view of the lifting of the Suspension Order dated August 10, 2015 on the Company's ECC by the DENR-EMB Main Office.	August 12, 2015
21.	Receipt of DENR Main Office' Order dated August 10, 2015 lifting the Suspension Order on the Company's ECC in relation to the landslide that occurred at the North edge portion of the Panian Mine due to fortuitous event.	August 12, 2015
22.	Clarification of news article entitled " <i>DMCI hikes net profit to P6b</i> " posted in The Standard (Internet Edition) on July 29, 2015.	August 10, 2015
23.	Compliance with SEC Memorandum Circular No. 4, Series of 2012 on the results of the Company's Audit Committee Self-Assessment for year 2015.	August 6, 2015
24.	Clarification of news article entitled " <i>Semirara to build 1,100 MW coal-fired power capacity</i> " posted in BusinessWorld Online on July 29, 2015; and " <i>Semirara Mining mulls new safety protocols</i> " posted in Inquirer.net on July 30, 2015.	July 30, 2015
25.	DENR-EMB, Main Office issued a cease and desist order dated July 21, 2015 suspending the Company's ECC in view of the landslide at its Panian Mine.	July 23, 2015.
26.	Clarification of news article entitled " <i>Semirara takes loss as exports halted</i> " posted in Malaya Business Insight (Internet Edition) on July 23, 2015.	July 23, 2015
27.	Disclosure on the Company's voluntary suspension of its coal export shipments in response to DOE's directive to prioritize the requirements of domestic consumers, pending the investigation of the cause of the landslide at North Panian last July 17, 2015.	July 22, 2015
28.	Clarification of news article entitled " <i>ECC of Semirara firm suspended</i> " posted in Inquirer.net on July 22, 2015.	July 22, 2015
29.	Disclosure that DOE's Investigating Committee arrived at the mine site in Semirara Island, Caluya, Antique to investigate the cause of accident.	July 20, 2015
30.	Disclosure on the landslide at the Company's northern edge of its Panian mine.	July 17, 2015
31.	Clarification of news article entitled " <i>Semirara finds new coal field to extend mine life by 10 years</i> " posted in Manila Bulletin (Internet Edition) on June 25, 2015.	June 26, 2015
32.	Clarification of news article entitled " <i>12 Firms Liable for 'Market Abuse'</i> " posted in the Malaya Business Insight (Internet Edition) on June 3, 2015.	June 3, 2015

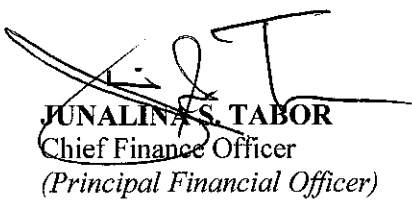
SIGNATURES

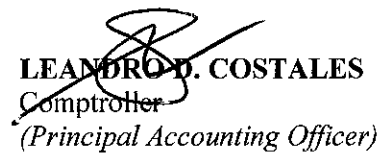
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Makati on this 14th day of April 2016.

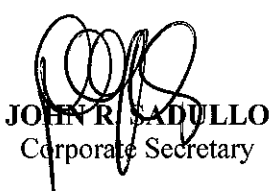
By:


ISIDRO A. CONSUNJI
 Chief Executive Officer
(Principal Executive Officer)


VICTOR A. CONSUNJI
 President & COO
(Principal Operating Officer)


JUNALINA S. TABOR
 Chief Finance Officer
(Principal Financial Officer)


LEANDRO D. COSTALES
 Comptroller
(Principal Accounting Officer)


JOHN R. SADULLO
 Corporate Secretary

APR 14 2016

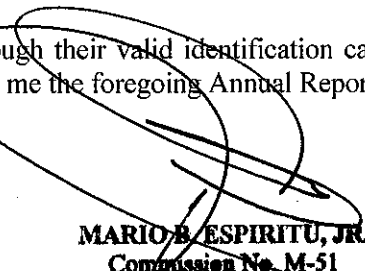
SUBSCRIBED AND SWORN, to before me on this ____ day of April 2016, at Makati City, Metro Manila, affiants exhibited to me:

Name	Passport/Valid ID No.	Expiry Date/Place Issued
Isidro A. Consunji	EC4977907	August 10, 2020/DFA, Manila
Victor A. Consunji	EB5899814	July 10, 2017/DFA, Manila
Junalina S. Tabor	EB9486755	October 30, 2018/DFA, NCR Central
John R. Sadullo	DL - N01-02-005690	July 22, 2017/LTO, Q.C.
Leandro D. Costales	SSS-33-5912087-4	N.A./SSS, Quezon City

who has satisfactory proven to me their identities through their valid identification cards, and that they are the same persons who personally signed before me the foregoing Annual Report (SEC Form 17-A) and acknowledged that they executed the same.

Doc. No. 5 ;
 Page No. 3 ;
 Book No. XI ;
 Series of 2016.




MARIO B. ESPIRITU, JR.
 Commission No. M-51
 Notary Public for City of Makati
 Until December 31, 2017
 4th Floor MMP Bldg,
 2283 Pasong Tamo Ext. Makati City
 PTR No. 6044466 01-06-16 Kawit, Cavite
 IBP No. 1019453 01-04-16 Cavite Chapter
 MCLE No. V-0010283 09-11-15
 Roll No. 39509

SEMIRARA MINING AND POWER CORPORATION**SEC FORM 17-A****INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES****CONSOLIDATED FINANCIAL STATEMENTS**

Statement of Management Responsibility for Financial Statements
Report on Independent Public Accountants
Consolidated Statements of Financial Position as of December 31, 2015 & 2014
Consolidated Statements of Cash Flows as of December 31, 2015 & 2014
Notes to Consolidated Financial Statements

SUPPLEMENTARY SCHEDULES

Report of Independent Public Accountants on Supplementary Schedules

- A. Financial Assets
- B. Amounts receivable from directors, officers, employees, related parties, and principal stockholders (other than affiliates)
- C. Amounts Receivables/Payables from/to related parties which are eliminated during the consolidation of financial statements
- D. Intangible Assets – Other Assets
- E. Long-Term Debt
- F. Indebtedness to Related Parties (N/A)
- G. Guarantees of Securities of Other Issuers (N/A)
- H. Capital Stock
- I. Schedule of all the effective standards and interpretations
- J. Retained Earnings
- K. Schedule on Financial Soundness Indicators
- L. Map of the Relationships of the Companies within the Group



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SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, 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 : Ramon L. Legaspi
Receiving Branch : SEC Head Office
Receipt Date and Time : March 10, 2016 04:34:49 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No. 0000091447
Company Name SEMIRARA MINING CORP.
Industry Classification Miscellaneous Business Activities
Company Type Stock Corporation

Document Information

Document ID 103102016002050
Document Type LETTER/MISC
Document Code LTR
Period Covered March 10, 2016
No. of Days Late 0
Department CED/CFD/CRMD/MRD/NTD
Remarks *ACGR (for the yr. 2015)*



March 10, 2016

**CORPORATE GOVERNANCE & FINANCE DEPT.
SECURITIES AND EXCHANGE COMMISSION**
SEC Bldg., EDSA, Greenhills
Mandaluyong City, Metro Manila

Attn.: Atty. Justina F. Callangan
Director

Re: Consolidated Changes in the Annual Corporate Governance Report for year 2015

Gentlemen:

Further to our submission last January 8, 2016, we submit herewith Semirara Mining and Power Corporation's (the "Corporation") Consolidated Changes in the Annual Corporate Governance Report for the year 2015 pursuant to SEC Memorandum Circular No. 12, Series of 2014 in relation to SEC Memorandum Circular No. 5, Series of 2013. All changes in the ACGR have been underlined for convenience.

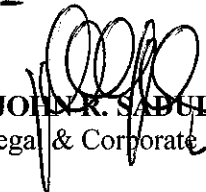
Lastly, attached is a copy of, duly notarized, the Secretary's Certificate on the approval by the Board of Directors of the amendment/revision of the Corporation's corporate governance policies and initiatives.

Thank you.

Very truly yours,

SEMIRARA MINING AND POWER CORPORATION

By:


JOHN R. SADULLO
VP Legal & Corporate Secretary

COVER SHEET

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SEC Registration Number

S E M I R A R A M I N I N G A N D P O W E R
C O R P O R A T I O N

(Company's Full Name)

2 n d F l o o r D M C I P L A Z A
2 2 8 1 D O N C H I N O R O C E S A V E N U E
M A K A T I C I T Y

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

Nena D. Arenas
(Contact Person)

888-3055
(Company Telephone Number)

1 2 3 1

(Fiscal Year)

CONSOLIDATED CHANGES IN ACGR FOR 2015

(Form Type)

Month Day
(Annual Meeting¹)

(Secondary License Type, If Applicable)

CGFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

_____ LCU

Document ID

_____ Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

¹ First Monday of May of each year.

SECRETARY'S CERTIFICATE

I, **JOHN R. SADULLO**, of legal age, with office address at 2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City, being the duly elected and qualified Corporate Secretary of **SEMIRARA MINING AND POWER CORPORATION** (the "Company"), after being duly sworn in accordance with law, do hereby depose and certify that:

1. On March 6, 2015, the Board of Directors of the Company unanimously resolved and approved, the following:
 - a. Due to the vacancy in the Board on account of the resignation of Mr. David M. Consunji as Director of the Company, the board appointed Ms. Josefa Consuelo C. Reyes as a Non-Executive Director of the Company;
 - b. Creation of the Company's Risk Committee to exemplify the importance of the risk management function; approval of the Risk Committee Charter and its membership, as follows: (i) Herbert M. Consunji (Chairman), (ii) Isidro A. Consunji (Member), (iii) Victor A. Consunji (Member), Maria Cristina C. Gotianun (Member), and Victor C. Macalincag (Member);
 - c. Amendments to the following:
 - i. Audit Committee Charter:
 1. Deletion of the work "risk management" from the scope of the Committee's main oversight functions.
 2. Inclusion of provision on Compliance, Risk and Governance oversight, which reads "5.5 In coordination with the Risk Committee, oversee and monitor enterprise-wide risks related to the specific oversight duties and responsibilities of the Audit Committee."
 3. Deletion of the entire provision on Risk Management Oversight.
 4. Related provision on Related Party Transactions, which reads "6.1. Review by Independent Directors of material/significant RPTs that meet the threshold levels stipulated by regulatory rules and requirements on material RPTs, as well as prescribed guidelines per SMPC Group's Related Party Transaction Policy to determine whether RPTs are in the best interest of the Company and Shareholders.
 - ii. Enterprise Risk Management (ERM) Policy to include the following provisions (i) Roles and Responsibilities. – provisions related to the exercise of risk oversight amended to "Risk Committee", previous Audit Committee; (ii) Risk Governance. – Risk Committee to reflect in The Three Lines of Defense Model.
 - iii. Related provisions of the Company's Related Party Transaction Policy now reads: "4.2 To determine whether RPTs are in the best interests of the Company and Shareholders, the Company's Independent Directors are required to review material/significant

RPTs that meet the threshold levels stipulated by regulatory rules and requirements on material RPTs, as well as prescribed guidelines per item 6 of this Policy.

The Independent Director shall consider whether the terms of the RPT are arms' length, fair to the Company and such factors as the following...

4.3 The Audit Committee may establish guidelines to oversee conflicts of interest of Management, Board of Directors and shareholders, including misuse of corporate assets and abuse in RPTs."

2. On April 22, 2015 the Board of Directors of the Company approved the declaration of cash dividends from its unrestricted retained earnings as at December 31, 2014 in the amount of PhP4.00 per share or a total of PhP4,275,000,000.00 to stockholders of record as of May 7, 2015 and payable on May 20, 2015;
3. On May 4, 2015, the Stockholders of the Company approved the increase in Independent Director and Non-Executive Director fees from PhP20,000.00 per month to PhP150,000.00 per month or PhP1,800,000.00 per annum effective June 1, 2015;
4. On November 11, 2015 the Board approved the amendment to the Company's Vision, Mission and Values, which now reads:

VISION:

Coal Towards an Energy-Sufficient Philippines

MISSION:

To fulfil its commitment to provide affordable power to the Filipino people through the responsible use of coal as an energy source, Semirara Mining and Power Corporation commits to:

- Adhere to the safety standards and best practices in the mining and power industry;

...

VALUES:


We conduct ourselves and manage our business according to the following:

- Commitment that fuels realization of our mission without compromising the Environment, Safety and Health of our stakeholders;

...

5. The foregoing Resolutions are continuing, valid and have not been revoked, amended or superseded; and
6. This certificate is executed in compliance with the submission of Consolidated Changes in the Annual Corporate Governance Report pursuant to SEC Memorandum Circular No. 12, Series of 2014.

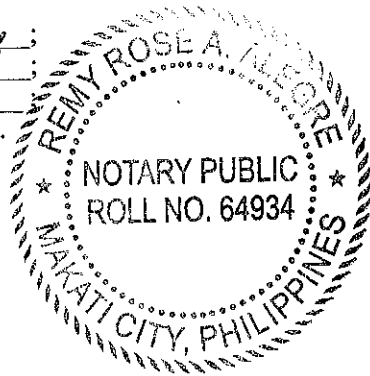
IN WITNESS WHEREOF, I have set my hand this ___ day of January 2016 at Makati City.


JOHN R. SADULLO
Corporate Secretary

JAN 08 2016

SUBSCRIBED AND SWORN, to before me on this ____ day of January 2016, at Makati City, by John R. Sadullo who has satisfactory proven to me his identity through his Driver's License with No. N01-02-005690 valid until July 22, 2017, and that he is the same person who personally signed before me the foregoing Secretary's Certificate and acknowledged that he executed the same.

Doc. No. 286 ;
Page No. 59 ;
Book No. 1 ;
Series of 2016.



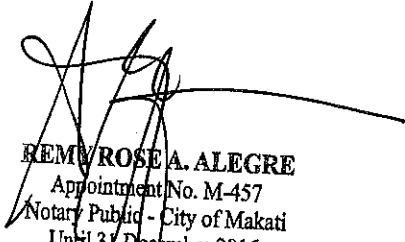

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	11
---	----

Actual number of Directors for the year	11
---	----

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)	Elected when (Annual /Special Meeting)	No. of years served as director
David M. Consunji	NED	DMCI Holdings, Inc.	Maria Cristina C. Gotianun	May 2001	<u>May 5, 2014</u> <i>(Resigned March 6, 2015)</i>	ASM	<u>13.67</u>
Isidro A. Consunji	ED	DMCI Holdings, Inc.	Maria Cristina C. Gotianun	May 2001	<u>May 4, 2015</u>	ASM	<u>14.67</u>
Victor A. Consunji	ED	DMCI Holdings, Inc.	Maria Cristina C. Gotianun	May 2001	<u>May 4, 2015</u>	ASM	<u>14.67</u>
Jorge A. Consunji	NED	DMCI Holdings, Inc.	Maria Cristina C. Gotianun	May 2001	<u>May 4, 2015</u>	ASM	<u>14.67</u>
Cesar A. Buenaventura	NED	DMCI Holdings, Inc.	Maria Cristina C. Gotianun	May 2001	<u>May 4, 2015</u>	ASM	<u>14.67</u>
Herbert M. Consunji	NED	DMCI Holdings, Inc.	Maria Cristina C. Gotianun	May 2001	<u>May 4, 2015</u>	ASM	<u>14.67</u>
Victor C. Macalincag	ID		Antonio C. Olizon (no relation)	May 2005	<u>May 4, 2015</u> <u>2 years & 7 months as ID from May 2012</u>	ASM	<u>10.67</u>
George G. San Pedro	ED	DMCI Holdings, Inc.	Isidro A. Consunji	May 2001	<u>May 4, 2015</u>	ASM	<u>14.67</u>
Maria Cristina C. Gotianun	ED	DMCI Holdings, Inc.	Isidro A. Consunji	May 2006	<u>May 4, 2015</u>	ASM	<u>9.67</u>
Ma. Edwina C. Laperal	NED	DMCI Holdings, Inc.	Isidro A. Consunji	May 2007	<u>May 4, 2015</u>	ASM	<u>8.67</u>
<u>Rogelio M. Murga</u>	<u>ID</u>		<u>Isidro A. Consunji</u>	<u>Nov 11, 2014</u>	<u>May 4, 2015</u>	ASM	<u>1.17</u>
<u>Josefa Consuelo C. Reyes</u>	<u>NED</u>	<u>DMCI Holdings, Inc.</u>	<u>Isidro A. Consunji</u>	<u>March 6, 2015</u>	<u>May 4, 2015</u>	ASM	<u>0.67</u>

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Company's amended its Revised Code of Corporate Governance in May 2014 to reflect a governance framework that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates.

The Board commits to a corporate governance framework aimed to provide a culture of ethical conduct, higher standards of performance, transparency and accountability throughout the organization. It reports its full compliance to the SEC's Revised Code of Corporate Governance (SEC Code) and discloses its level of adoption of the PSE's Corporate Governance Guidelines for Listed Companies. Directors, Officers and employees have been advised of their respective duties as mandated by the SEC Code and that internal mechanisms are in place to ensure compliance thereto. It fully complies with the disclosure and reportorial requirements of the SEC and PSE, such as certifications on compliance with its Revised Code of Corporate Governance and Board attendance, structured reports, as well as timely disclosure of significant and material information, events or developments and reporting of transactions involving trading of the Company's shares by its Directors within the prescribed reporting period. The Company's governance structure, policies and systems are described in the relevant governance section of its Integrated Annual Report. Its governance framework adheres to the following OECD Principles of Corporate Governance:

RIGHTS OF SHAREHOLDERS

The Company protects and facilitates the exercise of basic shareholder rights. It maintains a share structure that gives all shares equal voting rights. It allows all shareholders the right to nominate candidates for board of directors. It is committed to providing reasonable economic returns to the investors through the right to participate in its profits. It respects the right of a shareholder to participate, be informed and vote in key decisions regarding fundamental corporate changes in its Annual Shareholders' Meeting (ASM). Shareholders are furnished with sufficient and timely information concerning the ASM date, location, agenda including the rules and voting procedures that govern such meetings in the Notice of ASM and accompanying SEC Form 20-IS Information Statement. It respects other shareholder rights, specifically, to inspect corporate books and records, to information, to dividends and appraisal right.

EQUITABLE TREATMENT OF SHAREHOLDERS

It ensures equitable treatment of all shareholders and provides them the opportunity to obtain redress for violation of their rights. It has a share structure of one class of common shares with one vote for each share. It aims to protect non-controlling shareholders from inequitable conduct and abusive self-dealing of its Directors, Officers and employees. Related good governance policies include :

- Insider Trading Policy - explicitly prohibit insider trading to prevent conflict of interest and benefiting from insider information or knowledge not available to the general public. It prescribes trading block off periods and requires Directors and officers to inform or report to the Company their trading transactions of Company shares within three (3) business days.*
- Related Party Transaction (RPT) Policy – provides that RPTs be arms-length and at terms available to an unaffiliated third party under the same or similar business circumstances. It also sets threshold levels requiring approval of the Board or shareholders, and that RPTs be arms-length and at terms generally available to an unaffiliated third party under the same or similar circumstances, among others. The Company's Independent Directors annually review material significant RPTs that meet the threshold levels stipulated by regulatory rules and requirements on RPTs and materiality guidelines per RPT Policy.*

ROLE OF STAKEHOLDERS

It protects the rights and interests of its employees, customers, suppliers, business partners, creditors, government, environment, communities and other stakeholders as established by law or through mutual agreements. Its active engagement and partnership with key stakeholders encourage open communication and early resolution of issues or concerns, if any, during quarterly monitoring meetings with the Multi-Monitoring Team wherein various sectoral stakeholder groups are represented and heard. Related policies include:

- *Alternative Dispute Resolution Policy - promotes the use of alternative dispute resolution (ADR) options and processes in the settlement of corporate governance related disputes or differences with shareholders and key stakeholders.*
- *Anti-corruption and Ethics Program - consists of ethics-related policies, soft controls and audit procedures aimed to promote the highest standards of openness, probity and accountability throughout the organization.*
- *Whistleblowing/Hotline reporting mechanism - provides a secure reporting venue for employees, customers, suppliers and other stakeholders to raise and communicate valid complaints and confidential concerns on fraud, questionable and unethical transactions in good faith.*

DISCLOSURE AND TRANSPARENCY

It commits to a regime of open disclosure and transparency of material information and events regarding its financial performance, ownership and business updates. Its Information Policy ensures information is communicated in a timely and transparent manner to individual and institutional shareholders by timely and adequate disclosures through announcements, quarterly or annual reporting, Company website and investor relations activities such as analyst briefings and media/press conferences.

RESPONSIBILITIES OF THE BOARD

The Company's Good Governance Guidelines for Board Directors serve as the Board's charter with policies regarding directorship tenure, service in other company boards, conflict of interest, among others. It aims to protect non-controlling shareholders from inequitable conduct and abusive self-dealing of its Directors, Officers & employees. The Code of Conduct (Code) embodies its commitment to conduct business with the highest ethical standards and in accordance with applicable laws, rules and regulations. Code provisions include conflict of interest, gifts, corporate giving, insider trading, corporate opportunities, accounting and financial reporting, influencing external auditor, political activities, fair dealings, confidentiality, protection and proper use of company assets, among others.

- (c) How often does the Board review and approve the vision and mission?

The Board reviews and approves the vision and mission at least once every five years, with recent review and approval in its Board meeting on November 11, 2015, reworded with the following changes :

MISSION:

To fulfill its commitment to provide affordable power to the Filipino people through the responsible use of coal as an energy source, Semirara Mining and Power Corporation commits to:

- Adhere to the safety standards and best practices in the mining and power industries;

VALUES:

We conduct ourselves and manage our business according to the following:

- **Commitment** that fuels realization of our mission without compromising the Environment, Safety and Health of our stakeholders;

(d) Directorship in Other Companies

(i) Directorship in the Company's Group¹

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
David M. Consunji <i>(resigned March 6, 2015)</i>	DMCI Holdings, Inc. SEM-Calaca Power Corp. Southwest Luzon Power Generation Corp. Semirara Claystone Inc. Semirara Energy Utilities Inc. SEM-Cal Industrial Park Developers, Inc. SEM-Balayan Power Generation Corp. St. Raphael Power Generation Corp.	<u>Non-Exec/Chairman Emeritus</u> <u>Non-Exec/Chairman Emeritus</u> Non-Executive Director
Isidro A. Consunji	DMCI Holdings, Inc. SEM-Calaca Power Corp. Southwest Luzon Power Generation Corp. Semirara Claystone Inc. Semirara Energy Utilities Inc. SEM-Cal Industrial Park Developers, Inc. SEM-Balayan Power Generation Corp. St. Raphael Power Generation Corp. SEM-Calaca Res Corp.	Executive Director/ <u>Chairman</u> Executive Director/ <u>Chairman</u> / CEO Executive Director Executive Director, CEO Executive Director, CEO Executive Director, CEO Executive Director, CEO Executive Director, CEO Non-Executive Director
Victor A. Consunji	DMCI Holdings, Inc. SEM-Calaca Power Corp. Southwest Luzon Power Generation Corp. Semirara Claystone Inc. Semirara Energy Utilities Inc. SEM-Cal Industrial Park Developers, Inc. SEM-Balayan Power Generation Corp. St. Raphael Power Generation Corp. SEM-Calaca Res Corp. One Network Bank	Non-Executive Director Executive Director Executive Director Executive Director Executive Director Executive Director, President & CEO Executive Director, President & CEO Executive Director, President & CEO Executive Director, President Non-Exec. Director, Chairman

¹ The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Jorge A. Consunji	DMCI Holdings, Inc. SEM-Calaca Power Corp. Southwest Luzon Power Generation Corp. Semirara Claystone Inc. Semirara Energy Utilities Inc. SEM-Cal Industrial Park Developers, Inc. SEM-Balayan Power Generation Corp. St. Raphael Power Generation Corp. SEM-Calaca Res Corp.	Non-Executive Director
Cesar A. Buenaventura	DMCI Holdings, Inc. Semirara Cement Corp.	Non-Executive Director Non-Executive Director
Herbert M. Consunji	DMCI Holdings, Inc. SEM-Calaca Power Corporation Southwest Luzon Power Generation Corp. SEM-Cal Industrial Park Developers, Inc. <u>SEM-Calaca Res Corp.</u>	Executive Director Non-Executive Director Non-Executive Director Non-Executive Director <u>Executive Director, Treasurer</u>
Victor C. Macalincag	SEM-Calaca Power Corporation	Independent Director
<u>Rogelio M. Murga</u> <i>(appointed March 6, 2015)</i>	<u>SEM-Calaca Power Corporation</u>	<u>Independent Director</u>
Maria Cristina C. Gotianun	SEM-Calaca Power Corp Southwest Luzon Power Generation Corp. Semirara Claystone Inc. Semirara Energy Utilities Inc. SEM-Cal Industrial Park Developers, Inc. SEM-Balayan Power Generation Corp. St. Raphael Power Generation Corp.	Executive Director, Treasurer Executive Director, Treasurer Executive Director, Treasurer Executive Director, Treasurer Non-Executive Executive Director, Treasurer Executive Director, Treasurer
Ma. Edwina C. Laperal	DMCI Holdings, Inc. SEM-Calaca Power Corp	Executive Director Non-Executive Director
Josefa Consuelo C. Reyes <i>(appointed March 6, 2015)</i>	<u>SEM-Calaca Power Corp</u>	<u>Non-Executive Director</u>

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Isidro A. Consunji	Crown Equities, Inc. Atlas Consolidated Mining and Development Corporation	Non-Executive Director Non-Executive Director

Cesar A. Buenaventura	PetroEnergy Resources Corp. iPeople Inc.	Independent Director Independent Director
Victor C. Macalincag	Crown Equities, Inc. Republic Glass Holdings, Inc., ISM Communications Corp. Atok-Big Wedge Company, Inc. PhilWeb Corporation	Independent Director Independent Director Independent Director Independent Director

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder ²	Description of the relationship
Isidro A. Consunji	Augusta Holdings Inc. holds <u>975,954</u> shares in the Company.	Mr. Isidro A. Consunji is the majority stockholder representing 80% of its I/O shares.
Victor A. Consunji	Guadalupe Holdings Corporation holds <u>1,581,414</u> shares in the Company.	Mr. Victor A. Consunji is the majority stockholder representing 99.84% of its I/O shares.
Jorge A. Consunji	Great Times Holdings Corp. holds <u>302,559</u> shares in the Company.	Mr. Jorge A. Consunji is the majority stockholder representing 100% of its I/O shares.
Herbert M. Consunji	N/A	N/A
María Crisitina C. Gotianun	Berit Holdings Corporation holds <u>1,300,659</u> shares in the Company.	Ms. Maria Cristina C. Gotianun is the majority stockholder representing 78.88% of its I/O shares.
Ma. Edwina C. Laperal	Firenze Holdings Inc. holds <u>1,345,872</u> shares in the Company.	Ms. Ma. Edwina C. Laperal is the majority stockholder representing 82% of its I/O shares.
<u>Josefa Consuelo C. Reyes</u>	<u>Meru Holdings, Inc. holds 346,800 shares in the Company.</u>	<u>Ms. Josefa Consuelo C. Reyes is the majority stockholder representing 99.84% of its I/O shares.</u>

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

In 2015, each Director has held simultaneously no more than five (5) board seats in publicly-listed companies. Moreover, the Company's executive directors do not serve on more than two (2) boards of listed companies outside its parent DMCI Holdings Inc. Group.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director		No more than two Board seats of listed companies outside DMCI

² As of December 31, 2015.

		Holdings Inc. Group
Non-Executive Director		No more than five Board seats of publicly-listed companies.
CEO		No more than two Board seats of listed companies outside DMCI Holdings Inc. group

(c) Shareholding in the Company *(as of December 31, 2015)*

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares ³	Number of Indirect shares / Through (name of record owner) ⁴	% of Capital Stock
Isidro A. Consunji	<u>6,036</u>	<u>969,918</u>	<u>0.09</u>
Victor A. Consunji	<u>36</u>	<u>1,581,414</u>	<u>0.15</u>
Jorge A. Consunji	<u>36</u>	<u>302,559</u>	<u>0.03</u>
Herbert M. Consunji	<u>32,280</u>	-	<u>0.00</u>
Cesar A. Buenaventura	<u>18,030</u>	-	<u>0.00</u>
Maria Cristina C. Gotianun	<u>357</u>	<u>1,300,659</u>	<u>0.12</u>
Ma. Edwina C. Laperal	<u>1,047</u>	<u>1,345,872</u>	<u>0.13</u>
Josefa Consuelo C. Reyes	<u>103,100</u>	<u>346,800</u>	<u>0.04</u>
George G. San Pedro	<u>120,090</u>	-	<u>0.01</u>
Victor C. Macalincag	<u>811,890</u>	<u>19,100</u>	<u>0.08</u>
Rogelio M. Murga	<u>8,010</u>	-	<u>0.00</u>
TOTAL	<u>1,100,912</u>	<u>5,866,322</u>	<u>0.65</u>

2) Chairman and CEO

- (a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes

No

Identify the Chair and CEO:

Chairman of the Board	Isidro A. Consunji
CEO/President	Isidro A. Consunji

The Board noted the strategic challenges and opportunities in the Company's sustainability as a vertically-integrated coal mining and energy enterprise, thus making critical a cohesive leadership of the Board and Management unified in meeting business objectives. The Company's governance structure ensures a check and balance of power, independent thinking and accountability through defined roles and responsibilities of the Board, CEO and Management in its Amended By-Laws and Revised Code of Corporate Governance, good governance policies and processes such as annual Board/CEO performance evaluation, among others.

- (b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

³ As of December 31, 2015.

⁴ *Ibid.*

	Chairman	Chief Executive Officer
Role	Oversees and leads the Board on behalf of the shareholders, protecting their rights and maximizing shareholders' returns.	Provides leadership, direction and overall management of the Company's business.
Accountabilities	Is accountable to the shareholders; Ensures that Board meetings are held in accordance with the by-laws; Presides or chairs Board meetings; Coordinates Board meetings' agenda	Is accountable to the Board; Implements the key strategies and policies; as well as annual targets and objectives set by the Board.
Deliverables	Leads the Board in establishing the vision and mission, strategic objectives, key policies as well as adequate control mechanisms and risk management systems to effectively oversee and monitor Management's performance.	i. Develops and implements short and long term plans, financial management, control and risk system; ii. Ensures achievement of annual budget, financial and operating performance.

- 3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Company's Executive Succession Plan Policy outlines succession procedures for the CEO including the process of appointment and time frame. Succession planning also involves identifying a pool of candidates and developing a professional development program which includes mentoring, coaching, leadership seminars and management courses, among others. Succession processes to ensure leadership continuity and changes in key officers and critical positions include identifying potential candidates and leadership gaps, assessment of their strengths and developmental needs, readiness of current staff to assume critical positions and implementing strategies.

- 4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

The Company's current Board represents a mix of highlight qualified individuals of such stature and experience in the coal energy & power industries, finance, business, public governance, mining & engineering operations, organization and financial management, which are aligned to the Company's strategy and enable them to effectively participate in Board deliberations and fulfill their fiduciary duties. There is no discrimination of gender, age and religion in the selection and appointment of Directors.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes, two of the non-executive directors have extensive work experience in the energy sector and/or coal industry, both major industries of which the Company and its subsidiaries are operating in and significant to the Company's strategy.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	Develop and implement strategic and business plans ; Set the Company's values and standards, and ensure	Strategy and goal setting; Review and monitor Management's performance in meeting agreed goals and	Adopt an oversight role and act as a check and balance on the acts of the Board and Management of the Company;

	<p>that obligations to shareholders and stakeholders are understood and met.</p> <p>Lead the day-to-day operation of the business.</p>	objectives.	Helps in formulating strategic plans and objectives.
Accountabilities	<p>Providing reasonable economic returns to shareholders and business partners;</p> <p>Sustainability and growth of the business;</p> <p>Regular and timely reporting to the Board of the Company's performance and achievement of strategic goals and objectives.</p>	Promoting the interests of all shareholders, majority and minority, as a whole.	Promoting the interests of all shareholders, majority and minority, as a whole.
Deliverables	<p>Enhanced shareholder value through the ff:</p> <p>Operational excellence;</p> <p>A governance framework with adequate and effective risk, control and governance processes and information and management systems;</p> <p>Reliability and integrity of financial and operational information and reporting;</p> <p>Compliance with laws, rules, regulations, and contracts;</p> <p>Faithful performance of fiduciary duties in the best interests of the Company as a Board Director, incl. regular attendance and participation in Board and Committee meetings.</p>	<p>Objectivity and independent mindset during Board deliberations and discussions;</p> <p>Faithful performance of Director's fiduciary duties in the best interests of the Company;</p> <p>Familiarity and understanding of the Company's business, industry and significant developments;</p> <p>Regular attendance and participation in Board and Committee meetings.</p>	<p>Objectivity and independent mindset during Board deliberations and discussions;</p> <p>Faithful performance of Director's fiduciary duties in the best interests of the Company;</p> <p>Familiarity and understanding of the Company's business, industry and significant developments;</p> <p>Regular attendance and participation in Board and Committee meetings.</p>

Provide the company's definition of "independence" and describe the company's compliance to the definition. ***An Independent Director is defined as one with no interest or relationship with the Company that may hinder his independence from the Company or its management, or may reasonably be perceived to materially interfere in the exercise of his independent judgment in carrying out the responsibilities expected of a director. The Company's Independent Directors possess the qualifications and none of the disqualifications under existing Philippine regulatory rules and requirements for Independent Directors. They are independent of Management and major shareholders of the Company. The Company's Independent Directors are subject to SEC's prescribed term limit for Independent Directors of ten (10) years and re-election which took effect in 2012. They have been elected and re-elected as Independent Directors since May 2005. They have been elected also as such of the Company's wholly-owned subsidiary SEM-Calaca Power Corporation in February***

2011 and have adhered to SEC's prescribed limit for Independent Directors to be elected as such in no more than five (5) companies in each conglomerate.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Company adopts and adheres to SEC's prescribed limits for Independent Directors on term (tenure) and not being elected as Independent Directors in no more than five (5) companies in each conglomerate.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(8) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
David M. Consunji	Non-Executive/Chairman Emeritus	March 6, 2015	Resignation

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	Executive Directors are appointed during the organizational meeting of the company by the members of the Board of Directors	To be eligible directors must possess all the qualifications and none of the disqualifications of directors as stated in the Company's By-laws specifically Sections 2 & 3 of Article 2; all qualifications and disqualifications under the Revised Code of Corporate Governance. Executive Directors are chosen based on their skills, experience and expertise that are aligned to the Company's strategy, and with due regard of their track record, individual contribution, leadership and performance in the Company.
(ii) Non-Executive Directors	Every March (prior to Annual Meeting on first Monday of May) of each year directors are nominated and the final list of nominees is prepared; only those whose names appear in the final list shall be eligible for election at the Company's	To be eligible directors must possess all the qualifications and none of the disqualifications of directors as stated in the Company's By-laws specifically Sections 2 & 3 of Article 2; all qualifications and

	annual meeting. The final list goes through the selection process by the Nomination and Election Committee (NOMELEC)	disqualifications under the Revised Code of Corporate Governance. Non-Executive Directors are chosen based on their skills, experience and expertise that are aligned to the Company's strategy, and with due regard of their individual contribution, committee membership, leadership and individual performance as members of the Board.
(iii) Independent Directors	<p>Every March (prior to Annual Meeting on first Monday of May) of each year independent directors (at least 2 or 20% of the board size whichever is less) are nominated and the final list of nominees is prepared; only those whose names appear in the final list shall be eligible for election at the Company's annual meeting. The final list goes through the selection process by the NOMELEC. (Section 5, Article 3 of By-laws)</p> <p>Subject to 5 day written notice to the Securities and Exchange Commission, any vacancy due to resignation, disqualification or cessation from office shall be filled by vote of at least majority of remaining directors, if still constituting a quorum upon nomination of the NOMELEC, otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for that purpose (Section 7, Article 3 By-laws)</p>	<p>1. Must possess all the qualification and none of the disqualifications of directors under Article III of Company's By-laws (By-laws incorporates provisions of SEC Memorandum Circular No. 16; Series of 2012 dated November 28, 2002; (Guidelines on the Nomination and Election of Independent Directors) and qualifications and disqualifications under the Revised Code of Corporate Governance Memorandum Circular No. 9, Series of 2011 dated December 5, 2011 (Term Limits for Independent Directors)</p> <p>2. Independent Directors are chosen based on their skills, experience and expertise that are aligned to the Company's strategy, and with due regard of their individual contribution, committee membership, leadership and performance as members of the Board.</p>
b. Re-appointment		
(i) Executive Directors	Same process and criteria on selection and appointment	Same process and criteria on selection and appointment; Directors are chosen based on their skills, experience and expertise that are aligned to the Company's strategy, and with due regard of their track record, individual

		contribution, leadership and performance in the Company.
(ii) Non-Executive Directors	Same process and criteria on selection and appointment	Same process and criteria on selection and appointment; Directors are chosen based on their skills, experience and expertise that are aligned to the Company's strategy, and with due regard of their track record, individual contribution, leadership and performance in the Company.
(iii) Independent Directors	Same process and criteria on selection and appointment	Same process and criteria on selection and appointment; Directors are chosen based on their skills, experience and expertise that are aligned to the Company's strategy, and with due regard of their track record, individual contribution, leadership and performance in the Company.
c. Permanent Disqualification		
(i) Executive Directors	<p>Not eligible for appointment as Executive Director upon determination by the NOMELEC</p> <p>If grounds for disqualification occur during tenure, executive director may be removed by affirmative resolution of the board (Sec. 5, Art. 4 By-laws). Director concern may however voluntarily resign due to such grounds for disqualification.</p>	Grounds for disqualifications enumerated under Article 4 I (1) of the Company's Revised Code of Corporate Governance
(ii) Non-Executive Directors	<p>Not eligible for nomination as director upon determination by the NOMELEC</p> <p>If grounds for disqualification occur during tenure, director may be removed by affirmative vote of the stockholders holding 2/3 of the subscribed and outstanding capital of the Company in a meeting called for the purpose. Director concern may however voluntarily resign due to such grounds for disqualification.</p>	Grounds for disqualifications enumerated under Article 4 (e) (1) of the Company's Revised Code of Corporate Governance
(iii) Independent Directors	Not eligible for nomination as director upon determination by the NOMELEC	1. Based on grounds enumerated under Art. 4 (e) (1) of the Company's

	If grounds for disqualification occur during tenure, director may be removed by affirmative vote of the stockholders holding 2/3 of the subscribed and outstanding capital of the Company in a meeting called for the purpose. Director concern may however voluntarily resign due to such grounds for disqualification.	Revised Code of Corporate Governance 2. Memorandum Circular No. 9, Series of 2011 dated December 5, 2011 (Term Limits for Independent Directors)
d. Temporary Disqualification		
(i) Executive Directors	As determined by affirmative resolution of the Board of Directors	Grounds for temporary disqualifications under Article 4 (e) (2) of the Company's Revised Code of Corporate Governance
(ii) Non-Executive Directors	As determined by affirmative resolution of the Board of Directors	Grounds for temporary disqualifications under Article 4 (e) (2) of the Company's Revised Code of Corporate Governance
(iii) Independent Directors	As determined by affirmative resolution of the Board of Directors	1. Grounds for temporary disqualifications under Article 4 (e) (2) of the Company's Revised Code of Corporate Governance 2. Article 3, Section 3 of By-laws 3. Memorandum Circular No. 9, Series of 2011 dated December 5, 2011 (Term Limits for Independent Directors)
e. Removal		
(i) Executive Directors	By affirmative resolution of the Board of Directors	With or without cause (Section 5, Article 4 of By-laws)
(ii) Non-Executive Directors	By affirmative vote of the stockholders holding 2/3 of the subscribed and outstanding capital of the Company in a meeting called for the purpose.	With or without cause (Section 10, Article 2 of By-laws)
(iii) Independent Directors	Same as Non-Executive Directors	With or without cause (Section 10, Article 2 of By-laws)
f. Re-instatement		
(i) Executive Directors	Director is given 60 days to remedy or correct	Last paragraph of Article 4 (e)

	disqualification. Director is reinstated when shown that disqualification has been remedied.	(2) of the Company's Revised Code of Corporate Governance
(ii) Non-Executive Directors	-same as above-	-same as above-
(iii) Independent Directors	-same as above-	-same as above-
g. Suspension		
(i) Executive Directors	Written report on violations of internal policies, provisions of the Company's Corporate Governance Manual, rules and regulations of regulatory agencies shall be made by Company's Compliance Officer to the Board of Directors with recommendation on sanctions and penalties.	Article 4 (m) of Company's Revised Code of Corporate Governance. Sanctions ranges from reprimand, fines disqualification as may deem appropriate upon recommendation of the Compliance Officer subject to the approval of the Board.
(ii) Non-Executive Directors	-same as above-	-same as above-
(iii) Independent Directors	-same as above-	-same as above-

Voting Result of the last Annual General Meeting

Name of Director	Votes Received	Votes Against	Abstain
Isidro A. Consunji	<u>867,210,535</u>	<u>197,675</u>	<u>310,666</u>
Victor A. Consunji	<u>862,999,565</u>	<u>4,408,585</u>	<u>310,726</u>
Jorge A. Consunji	<u>858,109,905</u>	<u>8,595,095</u>	<u>1,013,876</u>
Cesar A. Buenaventura	<u>858,104,855</u>	<u>8,595,095</u>	<u>1,018,926</u>
Herbert M. Consunji	<u>865,845,915</u>	<u>1,517,235</u>	<u>355,726</u>
Maria Cristina C. Gotianun	<u>858,104,830</u>	<u>8,595,095</u>	<u>1,018,951</u>
Ma. Edwina C. Laperal	<u>867,180,400</u>	<u>197,675</u>	<u>340,801</u>
Josefa Consuelo C. Reyes	<u>867,185,400</u>	<u>197,675</u>	<u>335,801</u>
George G. San Pedro	<u>822,402,404</u>	<u>8,835,095</u>	<u>36,481,377</u>
Victor C. Macalincag	<u>867,182,492</u>	<u>185,558</u>	<u>350,826</u>
Rogelio M. Murga	<u>864,284,021</u>	<u>3,089,025</u>	<u>345,830</u>

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.

Board orientation coverage includes knowing the Company's unique aspects such as its history, operations, product, Board policies, etc. They are encouraged to visit the Company's mine sites and subsidiary operating plants to gain a closer understanding of business operations and ongoing corporate social responsibility (CSR) projects.

In March 2015, the Nomination and Election Committee exercised oversight of the Board orientation conducted by Senior Management and management team to familiarize a new Non-Executive Director with SMPC Group's strategic plans, financial and operating performance,

significant milestones and corporate governance matters.

The Company's Board Development program ensures continuing education and professional development of Board Directors and key officers through their memberships in professional organizations, compliance and participation in corporate governance seminars and forums.

- (b) State any in-house training and external courses attended by Directors and Senior Management⁵ for the past three (3) years:

Trainings and Seminars	Date
<i>Corporate Governance, SGV</i>	<i>December 9, 2015 September 24, 2015</i>
<i>2015 Platts Global Energy Outlook Forum, Platts McGraw Hill Financial</i>	<i>December 8, 2015</i>
<i>4th Coaltrans Emerging Asian Coal Markets Conference, Coaltrans, Euromoney Global Limited</i>	<i>November 10-11, 2015</i>
<i>Building an Employee Value Proposition, Towers Watson</i>	<i>September 22, 2015</i>
<i>FINEX CFO Forum, FINEX</i>	<i>Sept 17, 2015</i>
<i>Strategic Coal Pricing and Negotiations, IBC</i>	<i>August 13-14, 2015</i>
<i>Orientation Course for Corp Governance for FOCC, ICD</i>	<i>April 16, 2015</i>
<i>Corporate Governance, ROAM, Inc.</i>	<i>April 21, 2015</i>
<i>Distinguished Corporate Governance Speaker Series, Institute of Corporate Directors (ICD)</i>	<i>April 8, 2015 January 26, 2015 November 20, 2014 August 19, 2014 April 29, 2014 February 5, 2014</i>
<i>HR BEAT Conference, Towers Watson</i>	<i>February 27, 2015</i>
<i>7 Habits for Effective Managers, Center for Leadership and Change Inc.</i>	<i>January 23, 2015 August 6-7, Nov 17, 2014</i>
<i>13th Annual Working Session – Going for Gold ACGS, ICD</i>	<i>Nov 28, 2014</i>
<i>Towers Watson Executive Compensation Forum, ICD</i>	<i>Nov 26, 2014</i>
<i>3rd Annual Risk Management Summit, Society of Risk Management Professionals, Inc.</i>	<i>October 24, 2014</i>
<i>Exclusive Corporate Governance Seminar, ICD</i>	<i>June 9, 2014</i>
<i>Introduction to Wholesale Electricity Spot Market (WESM), Phil. Electricity Market Corp,</i>	<i>May 16, 2014</i>
<i>People Handling for Managers, Guthrie JensenConsultants, Inc.</i>	<i>July 4,5,11, 2014</i>
<i>ASEAN Corp Gov Scorecard Briefing, ICD</i>	<i>April 10, 2013</i>
<i>Investors' Forum, ICD</i>	<i>June 28, 2013</i>
<i>Leadership, DMC Technical Training Center</i>	<i>June 29, 2013</i>
<i>Problem Solving and Decision Making, DMC Technical Training Center</i>	<i>July 12-13, 2013</i>
<i>Sustainability Reporting Guidelines, ECC International Corp.</i>	<i>Aug 14, 2013</i>
<i>Mandatory Continuing Legal Education, Chan Robles Law Office</i>	<i>April 2013</i>
<i>Trends in Director Compensation, ICD</i>	<i>Oct 16, 2013</i>
<i>Mastering LC for Import and Export, Center for Global Best Practices</i>	<i>Oct 24-25, 2013</i>
<i>12th Annual Working Session Mastering the ACGS, ICD</i>	<i>Nov 15, 2013</i>

⁵ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
<i>Isidro A. Consunji/ Chairman & CEO</i>	<i>April 21, 2015</i>	<i>Corporate Governance</i>	<i>Risks, Opportunities, Assessment and Management (ROAM), Inc.</i>
<i>Victor A. Consunji/Vice Chairman & President</i>	<i>Sept 24, 2015</i>	<i>Corporate Governance</i>	<i>SGV</i>
<i>Jorge A. Consunji/ Director</i>	<i>Sept 24, 2015</i>	<i>Corporate Governance</i>	<i>SGV</i>
<i>Cesar A. Buenaventura/ Director</i>	<i>Sept 24, 2015</i>	<i>Corporate Governance</i>	<i>SGV</i>
<i>Herbert M. Consunji/ Director</i>	<i>Sept 24, 2015</i>	<i>Corporate Governance</i>	<i>SGV</i>
<i>Maria Cristina C. Gotianun /Director & Exec. Vice President</i>	<i>Sept 24, 2015</i>	<i>Corporate Governance</i>	<i>SGV</i>
	<i>Sept 22, 2015</i>	<i>Building an Employee Value Proposition</i>	<i>Towers Watson</i>
	<i>February 27, 2015</i>	<i>HR BEAT Conference</i>	<i>Towers Watson</i>
	<i>January 26, 2015</i>	<i>Distinguished Corporate Governance Speaker Series</i>	<i>Institute of Corporate Directors</i>
<i>Ma. Edwina C. Laperal/ Director</i>	<i>Sept 24, 2015</i>	<i>Corporate Governance</i>	<i>SGV</i>
<i>George G. San Pedro/ Director, VP Operations</i>	<i>Dec 9, 2015</i>	<i>Corporate Governance</i>	<i>SGV</i>
<i>Victor C. Macalincag/ Independent Director</i>	<i>April 8, 2015</i>	<i>Distinguished Corporate Governance Speaker Series</i>	<i>Institute of Corporate Directors</i>
<i>Rogelio M. Murga/ Independent Director</i>	<i>Sept 24, 2015</i>	<i>Corporate Governance</i>	<i>SGV</i>
	<i>April 8, 2015</i>	<i>Distinguished Corporate Governance Speaker Series</i>	<i>Institute of Corporate Directors</i>
<i>Josefa Consuelo C. Reyes/ Director</i>	<i>April 8, 2015</i>	<i>Distinguished Corporate Governance Speaker Series</i>	<i>Institute of Corporate Directors</i>
	<i>April 16, 2015</i>	<i>Orientation Course for Corp Governance for FOCC</i>	<i>Institute of Corporate Directors</i>
<i>Jaime B. Garcia/VP Procurement& Logistics</i>	<i>Dec 9, 2015</i>	<i>Corporate Governance</i>	<i>SGV</i>
<i>Junalina S. Tabor/VP Chief Finance Officer</i>	<i>April 8, 2015</i>	<i>Distinguished Corporate Governance Speaker Series</i>	<i>Institute of Corporate Directors</i>
	<i>Jan 23, 2015</i>	<i>7 habits for Effective Managers</i>	<i>Center for Leadership and Change Inc.</i>
	<i>Sept 17, 2015</i>	<i>FINEX CFO Forum</i>	<i>FINEX</i>
<i>Antonio R. delos Santos/VP Treasury</i>	<i>Sept 24, 2015</i>	<i>Corporate Governance</i>	<i>SGV</i>
<i>John R. Sadullo/Corporate</i>	<i>April 8, 2015</i>	<i>Distinguished Corporate Governance Speaker</i>	<i>Institute of Corporate Directors</i>

<i>Secretary VP Legal</i>		<i>Series</i>	
<i>Jose Anthony T. Villanueva/VP Marketing</i>	<i>Nov 10-11, 2015</i>	<i>4th Coaltrans Emerging Asian Coal Markets Conference</i>	<i>Coaltrans, Euromoney Global Limited</i>
	<i>Aug 13-14, 2015</i>	<i>Strategic Coal Pricing and Negotiations</i>	<i>IBC</i>
	<i>Sept 24, 2015</i>	<i>Corporate Governance</i>	<i>SGV</i>
<i>Nena D. Arenas/ VP Chief Governance Officer</i>	<i>Dec 8, 2015</i>	<i>2015 Platts Global Energy Outlook Forum</i>	<i>Platts McGraw Hill Financial</i>
	<i>Sept 24, 2015</i>	<i>Corporate Governance</i>	<i>SGV</i>
	<i>Sept 22, 2015</i>	<i>Building an Employee Value Proposition</i>	<i>Towers Watson</i>
	<i>February 27, 2015</i>	<i>HR BEAT Conference</i>	<i>Towers Watson</i>
	<i>January 26, 2015</i>	<i>Distinguished Corporate Governance Speaker Series</i>	<i>Institute of Corporate Directors</i>
<i>Sharade E. Padilla/ AVP Investor & Banking Relations</i>	<i>Sept 24, 2015</i>	<i>Corporate Governance</i>	<i>SGV</i>

B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	A Director must never use or attempt to use his position in the Company to obtain any improper personal benefit, incl. loans or guarantees of obligations from any person or entity, for himself, for his immediate family members. Situations which could result in conflict of interest or the appearance of a conflict of interest should be avoided whenever possible. Any Director who is aware of a transaction/ relationship that could reasonably be expected to give rise to a conflict of interest should discuss the situation promptly with the Company's Chairman or President, and Audit	An Executive Officer must never use or attempt to use his position in the Company to obtain any improper personal benefit, incl. loans or guarantees of obligations from any person or entity, for himself, for his immediate family members. Situations which could result in conflict of interest or the appearance of a conflict of interest should be avoided whenever possible. Any Exec. Officer who is aware of a transaction/relationship that could reasonably be expected to give rise to a conflict of interest should discuss the	All employees must avoid any conflict between their personal interests and those of the Company. Conflicts of interest arise when an employee's objectivity in reaching or influencing decisions for the Company is, or may be, affected by factors other than the Company's best interests. No employee may, directly or indirectly, use his decision-making authority or position to obtain a personal benefit from any sale, purchase or other activity of the Company. Transactions or dealings involving the Company and a member of an employee's immediate

	<p>Committee. Directors are required to disclose to the Board (and any applicable committee) any financial interest or personal interest in any contract or transaction that is being considered by the Board for approval. The interested Director should abstain from voting on the matter and, in most cases, should leave the meeting while the remaining directors discuss and vote on such matter. The same rule shall apply for approval of contract or transaction between the Company and another corporation with interlocking directors. Disclosed conflicts of interest will be documented in the minutes of the meeting.</p> <p>Directors will make business opportunities related to the Company's business, available to the Company before pursuing the opportunity for the Director's own or another's account.</p>	<p>situation promptly with the Company's Chairman or President, and Audit Committee.</p>	<p>family (e.g., spouse, child, sibling, parent or in-law) or an individual who has a close personal relationship with such employee must be brought to the attention of the employee's superiors to determine if the transaction poses a perceived, potential or actual conflict of interest.</p>
(b) Conduct of Business and Fair Dealings	<p>The Company does not seek competitive advantages through illegal or unethical business practices. Each Director should endeavor to deal fairly with the Company's customers, service providers, suppliers, competitors and employees. No Director should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any unfair dealing practices.</p>	<p>The Company does not seek competitive advantages through illegal or unethical business practices. Each Executive Officer should endeavor to deal fairly with the Company's customers, service providers, suppliers, competitors and employees. No Exec. Officer should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any unfair dealing practices.</p>	<p>All employees are expected to hold themselves accountable to the highest professional standards and with mutual respect. The Company does not seek competitive advantages through illegal, unethical or unfair dealing practices. Improper communications with competitors or suppliers regarding bids for contracts must be reported to the senior management, Chairman of the Board or the Audit Committee, as appropriate.</p>
(c) Receipt of gifts from	<p>A Director and members of his immediate family may</p>	<p>An Exec. Officer and members of his</p>	<p>The Company's Gift and Entertainment policy and</p>

third parties	<p>not offer, give, or receive gift(s) (whether cash, non-cash, or other) from persons or entities who deal with the Company in those cases where any such gift is being made or could reasonably appear to have been made in order to influence his actions as a Board member of the Company or where acceptance of the gift(s) could reasonably create or appear to create a conflict of interest. In certain circumstances, a Director may accept non-cash gift(s) of a nominal fair market value not exceeding P 2,000, provided that acceptance of such gift(s) is customary. Annually, the Company formally reminds its employees, suppliers, customers and key business partners of its Gifts and Entertainment policy.</p>	<p>immediate family may not offer, give, or receive gift(s) (whether cash, non-cash, or other) from persons or entities who deal with the Company in those cases where any such gift is being made or could reasonably appear to have been made in order to influence his actions as an officer of the Company or where acceptance of the gift(s) could reasonably create or appear to create a conflict of interest. In certain circumstances, an Executive Officer may accept non-cash gift(s) of a nominal fair market value not exceeding P 2,000, provided that acceptance of such gift(s) is customary. Annually, the Company formally reminds its employees, suppliers, customers and key business partners of its Gifts and Entertainment policy.</p>	<p>guidelines explicitly disallow employees from any interest in or benefit from any supplier that could reasonably be interpreted as inducing favoritism towards a particular supplier over others. Such guidelines enumerate conditions on the propriety of accepting a gift or invitation to meals and entertainment such as it is unsolicited, part of a business meeting or discussion, not being given to influence business judgment or action, does not violate any laws, and a promotional item or token of nominal value of not more than Two Thousand Pesos (P2,000) under the client's, supplier's or customer's relations program. Annually, the Company formally reminds its employees, suppliers, customers and key business partners of its Gifts and Entertainment policy.</p>
(d) Compliance with Laws & Regulations	<p>It is the personal responsibility of each Director to adhere to the standards and restrictions imposed by laws, rules and regulations.</p>	<p>It is the personal responsibility of each Executive Officer to adhere to the standards and restrictions imposed by laws, rules and regulations.</p>	<p>Employees must comply with all relevant laws and regulations and must promptly report to management any condition that may pose a health, safety or environmental hazard.</p>
(e) Respect for Trade Secrets/Use of Non-public Information	<p>In carrying out the Company's business, Directors learn confidential/proprietary information about the Company, its customers, suppliers, or other third parties. Directors must maintain confidentiality of all information so entrusted to them, except when disclosure is authorized by the Audit Committee or required by laws or</p>	<p>In carrying out the Company's business, Exec. Officers learn confidential/proprietary information about the Company, its customers, suppliers, or other third parties. Exec. Officers must maintain confidentiality of all information so entrusted to them, except when disclosure is authorized by the</p>	<p>An employee must maintain the confidentiality of the Company's business information both during and after his employment with the Company. This includes, but not limited to, classified information on human resources, payroll and benefits, customer data, business strategies and plans, trade secrets and other</p>

	<p>regulations.</p> <p>The Company adheres to the requirements of the Data Privacy Act.</p>	<p>Audit Committee or required by laws or regulations.</p> <p>The Company adheres to the requirements of the Data Privacy Act.</p>	<p>proprietary information. Such information must be kept strictly confidential and should not be discussed with any person outside of the Company.</p> <p>The Company adheres to the requirements of the Data Privacy Act.</p>
(f) Use of Company Funds, Assets and Information	<p>All Directors should protect the Company's assets and help ensure their efficient use. A Director must not use or seek to use the Company's time, employees, supplies, equipment, tools, buildings, or other assets except for legitimate business purposes of the Company or as part of an adopted or approved program or policy of the Company available to his position.</p>	<p>All Executive Officers should protect the Company's assets and help ensure their efficient use. An Executive Officer must not use or seek to use the Company's time, employees, supplies, equipment, tools, buildings or other assets except for legitimate business purposes of the Company or as part of an adopted or approved program or policy of the Company available to his position.</p>	<p>Any employee found to be engaging in, or attempting, theft, fraud or misuse of any property of the Company will be subject to strict disciplinary action, including dismissal when proper. An employee must maintain the confidentiality of the Company's business information both during and after his employment with the Company.</p>
(g) Employment & Labor Laws & Policies	<p>The Company's policy is to comply with all applicable Philippine laws, rules and regulations and to maintain the highest standards of business ethics. It is the personal responsibility of each Director to adhere to the standards and restrictions imposed by those laws, rules, and regulations.</p>	<p>The Company's policy is to comply with all applicable Philippine laws, rules and regulations and to maintain the highest standards of business ethics. It is the personal responsibility of each Executive Officer to adhere to the standards and restrictions imposed by those laws, rules, and regulations.</p>	<p>The Company's policy is to comply with all applicable Philippine laws, rules and regulations and to maintain the highest standards of business ethics.</p>
(h) Disciplinary action	<p>The Company will take such disciplinary or preventive action as it deems appropriate to address any existing or potential violation of this Code brought to its attention.</p>	<p>The Company will take such disciplinary or preventive action as it deems appropriate to address any existing or potential violation of this Code brought to its attention.</p>	<p>Any employee who compromises or violates the Code of Conduct may be subject to disciplinary action, up to and including termination. In all cases, the Company shall at all times observe due process and procedures in the implementation of the provisions of the Code.</p>
(i) Whistle	<p>Any Director who becomes</p>	<p>Any Executive Officer</p>	<p>The Company encourages</p>

Blower	aware of any existing or potential violation of this Code shall promptly notify the Company's Audit Committee and/or Legal Counsel. The Company will take such disciplinary or preventive action as it deems appropriate to address any existing or potential violation of this Code brought to its attention. The Company will not tolerate retaliation for reports of violations of this Code made in good faith.	who becomes aware of any existing or potential violation of this Code shall promptly notify the Company's Audit Committee and/or Legal Counsel. The Company will take such disciplinary or preventive action as it deems appropriate to address any existing or potential violation of this Code brought to its attention. The Company will not tolerate retaliation for reports of violations of this Code made in good faith.	any employee who suspects wrongdoing at work to raise their concern. It is committed to an open working environment in which employees are able to voice their concerns. Employees can speak directly to their superior, manager, Human Resources Management or Legal Department. In some cases, employees may feel they want to remain anonymous; thus, employees can report confidentially through the hotline reporting mechanism. All genuine concerns raised will be investigated properly and the identity of the person raising the concern will be kept confidential. Any form of reprisal or victimization against anyone who has raised a concern in good faith will not be tolerated and will itself be treated as a serious disciplinary matter.
(j) Conflict Resolution	The Alternative Dispute Resolution (ADR) Policy adopts a four-step process for the resolution of most disputes, depending on the nature or circumstances of the dispute. This involves prevention through conflict avoidance or contract clauses; negotiation; 3rd party assistance through mediation, conciliation or expert determination; and 3 rd party decision through arbitration.	The Alternative Dispute Resolution (ADR) Policy adopts a four-step process for the resolution of most disputes, depending on the nature or circumstances of the dispute. This involves prevention through conflict avoidance or contract clauses; negotiation; 3rd party assistance through mediation, conciliation or expert determination; and 3 rd party decision through arbitration.	The Alternative Dispute Resolution (ADR) Policy adopts a four-step process for the resolution of most disputes, depending on the nature or circumstances of the dispute. This involves prevention through conflict avoidance or contract clauses; negotiation; 3rd party assistance through mediation, conciliation or expert determination; and 3 rd party decision through arbitration.

- 2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?
Yes. The Code of Conduct for Directors and Executive Officers, and Employee Code of Conduct are also available in the Company's intranet and website.
- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The Audit Committee administers the Code of Conduct for Directors and Executive Officers, while the Human Resources Management has the primary responsibility for implementing and administering compliance to the Employee Code of Conduct. The Company shall at all times observe due process and procedures in the implementation of the provisions of the Codes. Directors, Officers and Employees are required to annually certify compliance to the Codes and submit an Annual Disclosure Statement of any financial, business or personal interests or dealings with the Company or its subsidiaries. Principal contractors and consultants are likewise expected to adhere to the provisions of the Codes in the course of performance of their services to the Company.

To enhance compliance with the Conflict of Interest policy, the Company also requires early submission by a Director, Officer and employee of a “single transaction” disclosure statement, and due before potential conflict of interest arises, of his direct or indirect financial interest in a specific contract or purchase proposed to be entered into by the Company, subsidiaries or its affiliates with or from a particular contractor or supplier. Failure to make proper disclosure as required may result in disciplinary action.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company’s policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

The Company’s Related Party Transaction Policy provides that related party transactions (RPTs) be arms-length and at terms generally available to an unaffiliated third party under the same or similar circumstances. There must be a compelling business reason to enter into such a RPT, taking into account such factors as expertise of related party, cost efficiency, among others. The Board-approved Policy sets out the guidelines, categories and thresholds requiring review, disclosure and prior approval by the Board of Directors or Shareholders of such transactions. It also defines RPTs deemed to be pre-approved by the Board in accordance with the Company’s Board-approved Table of Authorities. It provides guidelines on the identification, review and approval of RPTs. The Company’s Independent Directors are required to review material/significant RPTs that meet the threshold levels stipulated by regulatory rules and requirements on RPTs, as well as the guidelines of the RPT Policy.

To determine whether RPTs are in the best interests of the Company and Shareholders.

The Audit Committee also assists the Board in its review of RPTs. All RPTs are disclosed in the related Notes to Financial Statements of the Company’s audited accounts and in required SEC filings. The Committee’s quarterly and annual reviews of the financial statements include related party transactions and accounts to ensure that RPTs are fair to the Company, conducted at arms’ length terms and considered such factors as materiality, commercial reasonableness of the terms and extent of conflict of interest, actual or apparent, of the related party, as defined by the policy, participating in the transaction.

Related Party Transactions	Policies and Procedures
(1) Parent Company	Subject to abovementioned Company’s RPT Policy.
(2) Joint Ventures	-same-
(3) Subsidiaries	-same-
(4) Entities Under Common Control	-same-
(5) Substantial Stockholders	-same-
(6) Officers including spouse/children/siblings/parents	Subject to abovementioned Company’s RPT and Conflict of Interest policies. An officer shall promptly notify the Audit Committee of any interest he or his immediate family member had, has or may have in a RPT. He shall disclose all

	material information concerning the RPT.
(7) Directors including spouse/children/siblings/parents	Subject to abovementioned Company's RPT and Conflict of Interest policies. A Director shall promptly notify the Audit Committee of any interest he or his immediate family member had, has or may have in a RPT. He shall disclose all material information concerning the RPT.
(8) Interlocking director relationship of Board of Directors	Subject to abovementioned Company's RPT and Conflict of Interest policies. Disclosure in required SEC filings.

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Isidro A. Consunji Victor A. Consunji Jorge A. Consunji Maria Cristina C. Gotianun Ma. Edwina C. Laperal Herbert M. Consunji Josefa Consuelo C. Reyes	Interlocking directorships, concurrent officerships, Shareholders and owners of DMCI Holdings, Inc, Dacon Corporation & group of companies.

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	Regular reporting and disclosure to Audit Committee and the Board, Related Party Transaction Policy, Code of Conduct provisions on Conflict of Interest, Insider Trading Policy, Disclosure Statement, Business Interest Disclosure reporting, and regular reconciliation of related party accounts.
Group	Regular reporting and disclosure to Audit Committee and the Board, Related Party Transaction Policy, Code of Conduct provisions on Conflict of Interest, Insider Trading Policy, Disclosure Statement, Business Interest Disclosure reporting, and regular reconciliation of related party accounts.

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,⁶ commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
DMCI Holdings Inc.	Parent company	Majority shareholder holding, as of <u>December 31, 2015</u> , 56.32% of the I/O shares of

⁶ Family relationship up to the fourth civil degree either by consanguinity or affinity.

		the Company.
DACON Corporation	Grandfather company	Substantial shareholder of DMCI Holdings Inc. holding, as of December 31, 2015, 51.51% of DMCI-HI's I/O shares.

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
DACON Corporation	Grandfather company	Provided maintenance of the Company's accounting system.

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
	<i>Not Applicable</i>	

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	For the past three (3) years the Corporation has not recorded any issues that may be the subject of any alternative dispute resolution system. Disputes with stockholders must necessarily be resolved in accordance with their rights under the laws and the by-laws.
Corporation & Third Parties	The Legal Department protects the Company from unnecessary litigation to the best of its ability. It reviewed information and cases for possible use of ADR processes at the earliest stage of a conflict as possible and to find appropriate neutrals for the resolution of conflict. ADR steps involved negotiation, conciliation, arbitration and amicable settlement as appropriate. Meetings allowed affected parties to explain details, express points of view, confine issues and resolve differences in an atmosphere conducive to conciliation or negotiation. Early consultation with stakeholders helped avoid parties becoming locked into inflexible positions of conflict and prevent their developing into full-scale disputes.
Corporation & Regulatory Authorities	The Company has not adopted any alternative dispute resolution system with regulatory agencies. Essentially regulatory matters are subject to strict adherence and compliance by corporations as they are governed by laws and rules and regulations.

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?
Yes, the Corporate Secretary advises in January at the start of the calendar year the schedule of regular Board meetings and Board Committee meetings in line with the Company's regulatory reporting dates.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman Emeritus, resigned March 6, 2015	David M. Consunji	NA	<u>2</u>	<u>0</u>	<u>0</u>
Chairman	Isidro A. Consunji	<u>May 4, 2015</u>	<u>11</u>	<u>11</u>	<u>100</u>
Member	Victor A. Consunji	<u>May 4, 2015</u>	<u>11</u>	<u>11</u>	<u>100</u>
Member	Jorge A. Consunji	<u>May 4, 2015</u>	<u>11</u>	<u>11</u>	<u>100</u>
Member	Cesar A. Buenaventura	<u>May 4, 2015</u>	<u>11</u>	<u>11</u>	<u>100</u>
Member	Herbert M. Consunji	<u>May 4, 2015</u>	<u>11</u>	<u>11</u>	<u>100</u>
Member	George G. San Pedro	<u>May 4, 2015</u>	<u>11</u>	<u>11</u>	<u>100</u>
Member	Maria Cristina C. Gotianun	<u>May 4, 2015</u>	<u>11</u>	<u>11</u>	<u>100</u>
Member	Ma. Edwina C. Laperal	<u>May 4, 2015</u>	<u>11</u>	<u>11</u>	<u>100</u>
Member	Josefa Consuelo C. Reyes *	<u>May 4, 2015</u>	<u>9*</u>	<u>9*</u>	<u>100</u>
Independent	Victor C. Macalincag	<u>May 4, 2015</u>	<u>11</u>	<u>11</u>	<u>100</u>
Independent	Rogelio M. Murga	<u>May 4, 2015</u>	<u>11</u>	<u>11</u>	<u>100</u>

**The Board of Directors appointed Josefa Consuelo C. Reyes as a regular non-Executive Director on March 6, 2015 to fill vacancy left by David M. Consunji who resigned on same date.*

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

No, the Company's Revised Code of Corporate Governance does not require conducting separate meetings without the presence of any executive. However, Independent Directors as members of the Audit Committee have such private meeting sessions.

4) Is there minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

In May 5, 2014 ASM, the shareholders approved the amendment of the By-Laws the increase to quorum for the Board to transact business from majority to 2/3 of the full Board.

5) Access to Information

(a) How many days in advance are board papers⁷ for board of directors meetings provided to the board?
Five (5) business days

(b) Do board members have independent access to Management and the Corporate Secretary?
Yes.

⁷ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.?

The Corporate Secretary assists the Chairman in setting the Board agenda and informs the Directors of the agenda prior to Board meetings to ensure that they have accurate information and adequate materials to enable them to arrive at informed decisions on matters requiring their approvals. The Corporate Secretary ensures that all Board procedures, rules and regulations are strictly followed by the Directors. He is responsible for the safekeeping and preservation of the integrity of the minutes of Board meetings. He keeps the Directors updated regarding statutory and regulatory changes.

- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes.

- (e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes

No

Committee	Details of the procedures
Executive	<i>Not Applicable</i>
Audit	<i>The Audit Committee Charter provides that written agenda and relevant meeting materials shall be provided at least three (3) days before each meeting to the Committee Members to have adequate time for preparation and reading. Moreover, Committee Members have unrestricted access to all information and all employees directed to cooperate as requested by the Committee Members.</i>
Nomination	<i>The Nomination and Election Committee Charter provides that upon notice of each meeting of the Committee, confirming the venue, time and date and enclosing an agenda of items to be discussed, shall other than under exceptional circumstances, be forwarded to each member of the Committee at least seven (7) calendar days prior to the date of the meeting.</i>
Remuneration	<i>The Compensation and Remuneration Committee Charter provides that a written agenda shall be provided at least five (5) days before each meeting to the Committee Members. Meeting materials are provided to the Members prior such meeting date.</i>
Risk	<i>The Risk Committee Charter provides that written agenda and relevant meeting materials shall be provided at least three (3) days before each meeting to the Committee Members to have adequate time for preparation and reading. Moreover, Committee Members have unrestricted access to all information and all employees directed to cooperate as requested by the Committee Members.</i>
Others (specify)	Not applicable

- 6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
<i>Board Committee Charters provide Committee Members may request outside counsel or the external auditor of the Company to attend a Committee meeting or to meet with any Committee Member or consultant to said Committees.</i>	Management coordinates such meetings with external parties or their attendance in Board or Committee meetings upon request of the Directors. In some instances, a Director himself initiates such meeting or request.
<i>Board Committee Charters authorize Committees to retain, at the Company's expense, persons having special competencies (including, without limitation, legal, accounting or other consultants and experts) to assist or advise the them in fulfilling their responsibilities.</i>	Consultancy services are paid for by the Company.

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
Related Party Transaction Policy, amended March 6, 2015	<p>Explicit provisions regarding required review by Independent Directors of material/significant RPTs that meet the threshold levels stipulated by regulatory rules and requirements on material RPTs, so as to determine whether such RPTs are in the best interests of the Company and Shareholders:</p> <p>4.2 To determine whether RPTs are in the best interests of the Company and Shareholders, the Company's Independent Directors are required to review material/significant RPTs that meet the threshold levels stipulated by regulatory rules and requirements on material RPTs, as well as prescribed guidelines per item 6 of this Policy.</p> <p>The <u>Independent Director</u> shall consider whether the terms of the RPT are arms' length, fair to the Company and such factors as the following...</p> <p>4.3 The Audit Committee may establish guidelines to <u>oversee</u> conflicts of interest</p>	To formalize required review by Independent Directors of material/significant RPTs as aligned with best practices and ASEAN Corporate Governance Scorecard.

	of Management, Board of Directors and shareholders, including misuse of corporate assets and abuse in RPTs.”	
Audit Committee Charter, amended March 6, 2015	<p>Additional provisions on Related Party Transaction (RPT) review and deletion of risk management oversight provisions upon such oversight by the Risk Committee :</p> <ol style="list-style-type: none"> 1. Deletion of the work “risk management” from the scope of the Committee’s main oversight functions. 2. Inclusion of provision on Compliance, Risk and Governance oversight, which reads “5.5 In coordination with the Risk Committee, oversee and monitor enterprise-wide risks related to the specific oversight duties and responsibilities of the Audit Committee.” 3. Deletion of the entire provision on Risk Management Oversight. 4. Related provision on Related Party Transactions, which reads “6.1. Review by Independent Directors of material/significant RPTs that meet the threshold levels stipulated by regulatory rules and requirements on material RPTs, as well as prescribed guidelines per SMPC Group’s Related Party Transaction Policy to determine whether RPTs are in the best interest of the Company and Shareholders. 	To enhance independent review by Independent Directors of material/significant RPTs and exercise of risk management oversight by a separate Board-level Risk Committee as aligned with best practices and ASEAN Corporate Governance Scorecard.
Risk Committee Charter, approved March 6, 2015	New Charter to provide duties, responsibilities and guidelines for the effective performance of Risk Committee.	To exemplify the importance of the risk management function through creation of a separate Board-level Risk Committee as aligned with best practices and ASEAN Corporate Governance Scorecard.
Enterprise Risk Management Policy for Semirara Mining and Power Corporation	Amended provisions on the exercise of risk management oversight by the Risk	To effect risk management oversight by the Risk

(SMPC) Group, amended March 6, 2015	Committee instead of Audit Committee; Risk Committee included in The Three Lines of Defense Model	Committee as aligned with best practices and ASEAN Corporate Governance Scorecard.
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D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Set at levels having regard to industry and market standards for similar work responsibilities and positions.	Set at levels having regard to industry and market standards for similar work responsibilities and positions.
(2) Variable remuneration	Set at levels having regard to industry and market standards for similar work responsibilities and positions.	Set at levels having regard to industry and market standards for similar work responsibilities and positions.
(3) Per diem	Director per diem is subject to shareholder's approval.	Director per diem is subject to shareholder' approval.
(4) Bonus	Determined upon achievement of performance-based metrics and subject to Board approval upon the recommendation of the Compensation and Remuneration Committee.	Determined upon achievement of performance-based metrics
(5) Stock Options and other financial instruments	Not Applicable	Not Applicable.
(6) Others (specify)	-	-

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Director retainer & Committee meeting per diem are subj.to shareholders approval. Short-term performance-related bonus when appropriate for Directors is subj. to Board approval, aggregate amount of which shall not exceed	Director remuneration consists of an annual retainer fee, Committee meeting per diem for every Committee meeting held and short-term cash incentive as appropriate.	a. Annual retainer of P 240,000; b. Board Committee meeting per diem of P20,000 per Committee meeting; c. Corporate performance-related bonus, when appropriate and upon Board

	2% of Company's profit before tax of prior year as set by Amended By-Laws.		approval.
Independent Directors and Non-Executive Directors	Director retainer & Committee meeting per diem are subj.to shareholders approval.	Director remuneration consists of retainer fee and Committee meeting per diem for every Committee meeting.	a. <u>Retainer fee of P 150,000 per month, or P 1,800,000 p.a. effective June 1, 2015 as approved in May 4, 2015 ASM;</u> b. <u>Board Committee meeting per diem of P20,000 per Committee meeting.</u>

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
Independent Director and Non-Executive Director Fees	<u>May 4, 2015</u>

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors- (other than independent directors)	Independent Directors
(a) Fixed Remuneration	P 11,427,000	-	-
(b) Variable Remuneration	-	-	-
(c) Per diem Allowance/Committee	1,180,000	5,790,000	540,000
(d) Bonuses	57,273,529	7,352,941	1,470,588
(e) Stock Options and/or other financial instruments	Not Applicable	Not Applicable	Not Applicable
(f) Others (Leave Credits)	2,600,877	-	-
Total	<u>P 72,481,406</u>	<u>P 13,142,941</u>	<u>P 2,010,588</u>

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	-	-	-
2) Credit granted	-	-	-
3) Pension Plan/s Contributions	-	-	-

4) Pension Plans, Obligations incurred	-	-	-
5) Life Insurance Premium	10,200	-	-
6) Hospitalization Plan (Premium)	14,013	-	-
7) Car Plan	-	-	-
8) Others (Specify)	-	-	-
Total	P 24,213	-	-

9) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
	<i>NOT</i>	<i>APPLICABLE</i>		

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
	<i>NOT</i>	<i>APPLICABLE</i>

10) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Jaime B. Garcia-VP Procurement and Logistics	<u>P43,102,278.13</u>
Junalina S. Tabor-Chief Finance Officer	
Jose Anthony T. Villanueva- VP Marketing	
John R. Sadullo – Corporate Secretary & VP Legal	
Antonio R. delos Santos- VP Treasury	

11) BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the

power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Audit	1	-	2	v	Assists the Board in fulfilling oversight of: a. financial process reporting & integrity of financial statements & disclosures; b. external audit function; c. internal audit function; d. internal control environment; and e. compliance with reporting, legal and regulatory requirements.	Audit Committee Charter, Duties and Responsibilities, items 1-6, pp. 3-6	- Audit Committee Charter, Committee Authority, p.2
Nomination	1	-	2	v	a. Main function is to review, recommend and promulgate guidelines involving the nomination process and criteria for the Board of Directors as stated in the Amended By-Laws, Revised Code of Corporate Governance and pertinent SEC rules. b. Assist the Board in fulfilling its oversight duties relating to Succession Planning, Board performance, Board development.	Nomination & Election Committee Charter, Duties, pp.1-2	Committee may obtain such outside or other independent professional advice as it considers necessary to carry out Committee duties; and Access to professional advice both inside and outside of the Company in order for it to perform its duties. Committee has the authority to use professional search firms or other external sources when searching for candidates to

							the board of directors.
Remunerati on	1	-	2	v	Assists the Board in fulfilling its responsibilities relating to compensation & remuneration plans, policies and programs of the Company's Directors, officers and key employees.	Compensati on & Remunerati on Committee Charter, Duties and Responsibilit ies, pp. 3-5	Committee is delegated the authority to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities; Form and delegate authority to subcommittees when appropriate; and Authority to retain, at the Company's expense, and terminate persons having special competencies (incl. without limitation, legal, accounting or other consultants and experts) to assist or advise the Committee in fulfilling its responsibilities.

<p>Risk (as approved by the Board on March 6, 2015)</p>	<p>3</p>	<p>1</p>	<p>1</p>	<p>v</p>	<p>Assists the Board in fulfilling its oversight of risk management function. The primary purpose of the Risk Committee is to oversee and approve the Company's Enterprise-wide risk management framework through the following:</p> <p>a.Overseeing that Mgt has identified and assessed all the risks that the organization faces and has established a risk mgt structure capable of addressing those significant risks affecting the achievement of the Company's objectives; &</p> <p>b.Overseeing in conjunction with other Board-level Committees or the full Board, that risk-related responsibilities of each</p>	<p>Risk Committee Charter, Duties and Responsibilities, pp. 3-4</p>	<p>Risk Committee has the authority to meet with and seek any information, advice and assistance it requires from employees, officers, directors, or external parties to perform its duties and responsibilities. The Risk Committee shall also have the authority to conduct investigations into any matters within its scope of responsibility, as necessary.</p> <p>It has the authority to retain, at the Company's expense, persons having special competencies to assist or advise the Committee in fulfilling its responsibilities.</p> <p>In addition, the Risk Committee</p>
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					Board Committee are clearly addressed.		may meet with other Board Committees to avoid overlap as well as potential gaps in overseeing the organization's significant risks.
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2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman						
Member (ED)						
Member (NED)		Not	Applicable			
Member (ID)						
Member						

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Victor C. Macalincag	<u>May 4, 2015</u>	<u>10</u>	<u>10</u>	<u>100</u>	<u>10.67 yrs</u>
Member (ED)	Victor A. Consunji	<u>May 4, 2015</u>	<u>10</u>	<u>10</u>	<u>100</u>	<u>10.67 yrs</u>
Member (ID)	Rogelio M. Murga	<u>May 4, 2015</u>	<u>10</u>	<u>10</u>	<u>100</u>	<u>1.17 yrs</u>

Disclose the profile or qualifications of the Audit Committee members.

The Audit Committee is chaired by an Independent Director who is a Certified Public Accountant. Its Members possess the requisite levels of financial and accounting competencies, experience and other qualification requirements set by the SEC, as well as having an adequate understanding of the Company's coal mining and energy industries. Both Independent Directors have prior extensive working experiences and held key positions in accounting, finance and treasury functions of government and government-owned & controlled corporations.

Describe the Audit Committee's responsibility relative to the external auditor.

External Audit Oversight duties include but not limited to the ff:

- ***Assess and recommend the professional qualifications, independence, appointment, reappointment or replacement and remuneration of the external auditor to the Board.***

- *Pre-approve all audit and non-audit work engagements, scope, fees and terms with the external auditor.*
- *Confirm with the external auditor that audit scope has not been unreasonably restricted by Management.*
- *Review non-audit services and taxation advice by the external auditor, if any.*
- *At the conclusion of the annual audit, discuss with Management and the external auditor, significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls, the development, selection and disclosure of critical accounting estimates, and analyses of the effect of alternative assumptions, estimates or GAAP methods on the Company's financial statements.*
- *Annually, discuss the overall performance and conduct of audit of the external auditor to be in accordance with Philippine Standards on Auditing, taking into account the opinions of Management and Internal Audit.*
- *Review and approve Management representation letter before submission to the external auditor to ensure all representations are in line with the understanding of the Audit Committee.*

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Rogelio M. Murga	<u>May 4, 2015</u>	<u>3</u>	<u>3</u>	<u>100</u>	<u>1.17 yrs</u>
Member (ED)	Isidro A. Consunji	<u>May 4, 2015</u>	<u>3</u>	<u>2</u>	<u>67</u>	<u>10.67 yrs</u>
Member (ID)	Victor C. Macalincag	<u>May 4, 2015</u>	<u>3</u>	<u>3</u>	<u>100</u>	<u>10.67 yrs</u>

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Victor C. Macalincag	<u>May 4, 2015</u>	<u>2</u>	<u>2</u>	<u>100</u>	<u>10.67 yrs</u>
Member (ED)	Maria Cristina C. Gotianun	<u>May 4, 2015</u>	<u>2</u>	<u>2</u>	<u>100</u>	<u>9.67 yrs</u>
Member (ID)	Rogelio M. Murga	<u>May 4, 2015</u>	<u>2</u>	<u>2</u>	<u>100</u>	<u>1.17 yrs</u>

(e) Others (Specify) Risk Committee, as approved by the Board on March 6, 2015

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman(NED)	Herbert M.Consunji	<u>May 4, 2015</u>	<u>2</u>	<u>2</u>	<u>100</u>	<u>0.83 yrs</u>
Member (ED)	Isidro A. Consunji	<u>May 4, 2015</u>	<u>2</u>	<u>2</u>	<u>100</u>	<u>0.83 yrs</u>
Member (ED)	Victor A. Consunji	<u>May 4, 2015</u>	<u>2</u>	<u>2</u>	<u>100</u>	<u>0.83 yrs</u>
Member (ID)	Victor C. Macalincag	<u>May 4, 2015</u>	<u>2</u>	<u>2</u>	<u>100</u>	<u>0.83 yrs</u>
Member (ED)	Maria Cristina C. Gotianun	<u>May 4, 2015</u>	<u>2</u>	<u>2</u>	<u>100</u>	<u>0.83 yrs</u>

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	Not Applicable	Not Applicable
Audit	No change	No change
Remuneration	No change	No change
Risk	Herbert M. Consunji	New Committee March 6, 2015
Risk	Isidro A. Consunji	New Committee March 6, 2015
Risk	Victor A. Consunji	New Committee March 6, 2015
Risk	Victor C. Macalincag	New Committee March 6, 2015
Risk	Maria Cristina C. Gotianun	New Committee March 6, 2015

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	Not Applicable	Not Applicable
Audit	<p>Assisted the Board in fulfilling effective oversight of the following functions:</p> <p>Financial reporting process and the financial statements <i>Reviewed, approved and endorsed for Board approval the quarterly unaudited and annual audited consolidated financial statements. It ensured that financial statements are in accordance with the required accounting and reporting standards. It also reviewed the adequacy of financial reporting disclosures, including significant related party transactions to provide a transparent and fair view that meet shareholder needs.</i></p> <p>External audit <i>Discussed and approved the external audit work engagement, scope, fees and terms. It reviewed and discussed with SGV & Co. and Management significant financial reporting issues, audit observations, adjusting entries and overall quality of the financial reporting process as well as regulatory updates in financial and tax reporting. It recommended to the</i></p>	

	<p><i>Board the reappointment of SGV & Co. as external auditor in <u>2015 and 2016.</u></i></p> <p>Internal audit <i>Reviewed and approved Internal Audit's annual plan based on a risk-based approach and ensured Management provided adequate resources to support the function and maintain its independence. It met in executive sessions with the Internal Audit Manager to review and discuss Internal Audit's assurance and advisory work including its organization structure.</i></p> <p>Internal control <i>Reviewed and discussed audit findings, internal control and compliance issues with Management, SGV & Co., Internal Audit and Compliance Committee, and ensured Management responded appropriately for the continuous improvement of controls and risk management processes.</i></p> <p>Risk management <i>Discussed with Management the results of risk reviews and identified key risks to the Company's mission and strategic objectives and monitored through the Internal Audit the effectiveness of risk management action plans undertaken by Management to address and manage such risks.</i></p> <p>Compliance with regulatory and legal requirements <i>Reviewed and discussed with the Compliance Committee significant updates and actions on SEC, PSE, legal, tax, claims, litigations, environmental, safety and other regulatory matters.</i></p> <p>Related Party Transactions Oversight <i>Quarterly review of the financial statements included related party accounts to ensure that RPTs are fair to the Company, conducted at arms' length terms and considered such factors as materiality, commercial</i></p>	
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	<p><i>reasonableness of the terms and extent of conflict of interest, actual or apparent, of the related party, as defined by the policy, participating in the transaction. The Committee and Independent Directors reviewed significant/material RPTs that meet the threshold level stipulated by the regulatory rules and requirements on RPTs to determine whether they are in the best interests of the Company and Shareholders.</i></p> <p><i>In 2015, material/significant RPTs reviewed are ordinary and normal in the course of the Company's business and did not include financial assistance or loans to affiliates or related entities which are not wholly-owned subsidiaries.</i></p> <p>Good Governance <i>Supported the Company's governance framework through continual review and support of good governance policies and best practices.</i></p> <p><i>The Committee Chair and Members attended the Annual Stockholders' Meeting on <u>May 4, 2015</u> to address possible shareholder queries on Committee matters.</i></p> <p>Committee Performance <i>Conducted, and reported to SEC, the results of its own self-assessment and rating of its performance which indicated an overall compliance level in consonance with abovementioned SEC guidelines on effectiveness of Audit Committee performance.</i></p> <p><i>Reviewed its Charter and amended related provisions on compliance, risk and governance to strengthen the Committee's effectiveness.</i></p>	<p>Compliance matters such as tax rulings and updates, etc.</p>
<p>Nomination</p>	<p>Nomination and selection <i>Reviewed with the Corporate Secretary the nomination process, criteria, qualifications and final selection of Board nominees for directorship ensuring that they meet</i></p>	

	<p><i>the requisite qualifications.</i></p> <p><i>Deliberated and endorsed for Board approval the appointment of <u>Josefa Consuelo C. Reyes, new Non-Executive Director,</u> taking into account her qualifications, experience, knowledge and expertise that meet the needs of the Board and are aligned to SMPC Group's strategy.</i></p> <p><i>Reviewed and endorsed changes in the roles, membership and leadership of the Board and its Committees.</i></p> <p><i>Executive succession planning and leadership</i> <i>Discussed and reviewed with senior management the organizational development program, executive succession planning and leadership needs of SMPC Group, as well as discussed movement of key officers.</i></p> <p><i>Board orientation & development</i> <i>Exercised oversight of Board orientation with Senior Management and Management Committee to familiarize the new Board Director with SMPC Group's strategy map, financial and operating performance, significant milestones, corporate governance policies.</i></p> <p><i>Exercised oversight of the Board's development program for Directors and key officers through leadership programs, affiliation with or memberships in professional organizations, compliance and participation in corporate governance seminars and forums, among others.</i></p> <p><i>Board and Committee performance</i> <i>Reviewed results of the annual appraisal of the full Board and individual Director performances of the past year to assess Board effectiveness and/or improvement thereof.</i></p> <p><i>Committee Performance</i> <i>Conducted a self-assessment of its Committee performance and</i></p>	<p>None.</p>
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	<p>accordingly reviewed the Board's, Board Committees' and SMPC's governance structure as benchmarked against the ASEAN Corporate Governance Scorecard best practices.</p> <p>The Committee Chair and Members attended the Annual Stockholders' Meeting on <u>May 4, 2015</u> to address possible shareholder queries on Committee matters.</p>	
Remuneration	<p>Board remuneration Reviewed and benchmarked Board and Director remuneration level and framework against best practices and ASEAN Corporate Governance Scorecard best practices.</p> <p><u>Deliberated and endorsed for shareholder approval the proposed increase in fees of Independent Directors and Non-Executive Directors to P 150,000 per month or P 1,800,000 per annum.</u></p> <p>Executive remuneration Reviewed and discussed significant updates on executive remuneration levels and compensation programs to ensure alignment with SMPC Group's compensation strategy, sustainable business, pay for performance culture and link to risk management of attraction and retention risks.</p> <p>CEO and COO Performance <u>Discussed and endorsed Safety as a key performance measure top-down levels across the organization, and amended the CEO/COO Balanced Scorecard to align with the Board's commitment on Safety as a primary core value to the Company's business.</u></p> <p>Reviewed results of the Board's evaluations of the CEO's and COO's performance in 2014 based on Board-approved Balanced Scorecard and key result areas encompassing financial and non-financial performance metrics linked to strategic and business objectives,</p>	None.

	<p><i>incl. business development, risks, controls, governance and corporate social responsibility.</i></p> <p>Committee Performance <i>Assessed its Committee performance to ensure continual review or improvement.</i></p> <p><i>Reveiwed the compensation-related disclosures of Directors and Officers in the Company's annual reports and information statements per regulatory requirements and reporting standards.</i></p> <p><i>The Committee Chair and Members attended the Annual Stockholders' Meeting on <u>May 4, 2015</u> to address possible shareholder queries on Committee matters.</i></p>	
Risk	<p><u>Risk Governance</u> <u>Reviewed and discussed with Management the risk governance structure, processes and significant risks of the organization.</u></p> <p><u>Reviewed and discussed with Management and third party geology consultant the back analysis of the Panian Pit slide on July 17, 2015, additional safety measures and related regulatory updates.</u></p> <p><u>Committee Performance</u> <u>The Committee Chair and Members attended the Investors Briefing in July 2015 regarding the Panian pit incident of July 17, 2015 and the Annual Stockholders' Meeting on May 4, 2015 to address possible shareholder queries on Committee matters.</u></p>	<p><u>Strengthening risk governance and Safety risk mitigation.</u></p>

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Not Applicable	Not Applicable
Audit	ASEAN Corporate Governance Scorecard	Continual improvement of good governance framework.

Nomination	ASEAN Scorecard	Corporate Governance	Continual improvement of good governance framework.
Remuneration	ASEAN Scorecard	Corporate Governance	Continual improvement of good governance framework.
Risk	ASEAN Scorecard	Corporate Governance	Alignment with best practices and improvement of good governance.
Others (specify)	Not Applicable		Not Applicable

12) RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

Semirara Mining and Power Corporation and its subsidiaries (SMPC Group) recognize that risks are an integral part of our business which cannot be totally eliminated. Risks are better controlled if measured more consistently, accurately, and timely. The Board sets the tone and establishes the risk appetite level for the Group's ERM to be applied across the organization and to provide reasonable assurance that risks are identified, assessed, managed, monitored and communicated in a timely manner, and aligned to the Group's strategic and business objectives. SMPC Group's Enterprise Risk Management (ERM) framework is guided by international leading practices and the Committee of Sponsoring Organizations of the Treadway Commission or COSO's ERM – Integrated Framework. It provides a Group-wide disciplined approach to risk management in relation to the Group's achievement of strategic and business objectives. SMPC Group operates within an overall Low risk range in the pursuit of its objectives, with the lowest risk appetite for risks related to environment, health & safety, operations and regulatory compliance.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

Based on the risk-based assurance work and consulting engagements provided by the internal auditors, review of the risk governance structure and internal controls, continual improvement of risk management processes and the oversight duties performed by the Board's Audit and Risk Committees, the Board is of the opinion that the Company's risk management systems are adequate and effective.

(c) Period covered by the review;

2015

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The Board approved the creation of a separate Board-level Risk Committee to exemplify the importance of the risk management function in its March 6, 2015 Board meeting. The Risk Committee assists the Board in the oversight of the risk management process. Risk oversight covers risk monitoring and reporting by Management and Internal Audit on the effectiveness of risk treatment/controls and action taken by Management to address and manage such risks. The Risk Committee shall meet at least twice in a year, or more, as determined by the Committee.

The Board's criteria in assessing the effectiveness of ERM framework shall consider the maturity of the risk management of the organization and tailored to its specific circumstances, and include but not limited to : 1) risk governance structure, 2) regular risk reviews to identify and assess significant current and emerging risks (and opportunities) as to likelihood and their impact to the strategic goals & objectives, 3) risk management strategy or action plan as a result of risk identification and assessment, 4) appropriate and prudent risk management systems to manage such risks, 4) risk response activities and processes are monitored regularly, 5) assurance activities on the risk management process, 5) integration plan through training and awareness programs, and 6) regular assurance and risk reporting to the Board, Audit Committee and senior management that risks are

indeed effectively managed within approved risk appetite.

Annually, the Internal Audit discusses with the Audit Committee and Risk Committee the results of the risk & control assessment reviews, including identification of key risks significant to the Company's mission and strategic objectives.

- (e) Where no review was conducted during the year, an explanation why not.
Not Applicable.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

The Company's risk policy is to maximize strategic and business opportunities and minimize adverse outcomes, thereby optimizing shareholder value and ensuring sustainable growth through effective balancing of risks and rewards. It considers operations risk as its topmost strategic risks.

Risk Exposure	Risk Management Policy	Objective
1. Operations risks		
- Safety	<ol style="list-style-type: none"> Adherence to mine safety standards for open pit mining i.e. slope gradient/stability and sub-surface and surface dewatering system. Use of latest technologies and tools for open pit safety Emergency Preparedness and Response program and training. Conformance to ISO OHSAS management system. 	To eliminate or reduce to the lowest level any risk that may result in fatality, personal injury, illness, property or environment damage and ensure safety, health and welfare of employees, workers and stakeholders;
- Coal Quality and consistency	<ol style="list-style-type: none"> In-situ determination of coal quality for proper blending to ensure it meets customer specifications. Mine management system. Reconnaissance program for new coal concessions. Implement ISO Integrated Management System to ensure effectiveness and sustainability. 	To produce and deliver on time quality coal that meets customers' specifications.
- Supply Chain	<ol style="list-style-type: none"> Adopt sparing system for critical parts; parts provided by local distributor of major mining equipment through parts consignment agreement and maintenance of spare inventory of parts with long order lead time. 	To ensure sustainable supply chain requirements and avoid disruption in operations.
	10. Continuous OJT and	To ensure sustainable

Risk Exposure	Risk Management Policy	Objective
<ul style="list-style-type: none"> - People & Talent - Natural Calamities (e.g. earthquake, tsunami), environment (typhoon, storm surge, flooding, landslide), slope stability. 	<p>cadetship program for fresh graduates for manpower pooling.</p> <ol style="list-style-type: none"> 11. Succession Planning program 12. Management Development program 13. Implement Business Continuity Management System. 14. Risk transfer through insurance cover for physical assets, such as Industrial All-Risk, Floater, Fire, Marine Hull and Aircraft Hull insurance covers. 	<p>human resources that meet organizational needs and growth.</p> <p>To ensure early business recovery and continuity of critical services in the event of a disruption, with focus toward building organizational resilience.</p>
<p>2. Reputation and compliance risks</p> <ul style="list-style-type: none"> - Laws/Regulations/ Reputation - Contractual Breach - Loan Covenants 	<ol style="list-style-type: none"> 1. Compliance with applicable laws and regulations (e.g. EHS, Mine Safety, DOE regulations). 2. Conformance to ISO Integrated Management System – Quality, Safety, Health, Environment 3. Keeping abreast with emerging laws and regulations affecting mining and power industries. 4. Required Legal review for all contracts & agreements. 5. Regular coordination between business units to ensure customers’ specifications are satisfied. 6. Legal review before financial closing. 7. Finance review/monitoring on financial covenants. 	<p>To ensure sustainability through partnership with key stakeholders;</p> <p>To protect and enhance shareholder value.</p>
<p>3. Market risks</p> <ul style="list-style-type: none"> - refer to Market and/or Customer Dependence, Price Volatility and macroeconomic Shift in Demand. 	<ol style="list-style-type: none"> 1. To offer higher coal quality, better prices or larger guaranteed supply volumes. 2. To set minimum contracted volume for customers with long term supply contracts for each given period (within the contract duration) and re-pricing on a monthly basis to optimize price movement and profit margin. Risk mitigation measures involve 	<p>To minimize price volatility, mitigate any negative impact from price changes, allow flexibility in selling to target customers while protecting target margin or maximum profits.</p>

Risk Exposure	Risk Management Policy	Objective
	<p>improvement of the coal quality and market diversity.</p> <ol style="list-style-type: none"> 3. To diversify customer base. 4. To effect forward integration from coal to power generation. 5. To implement different pricing schemes for local and foreign customers i.e. long-term contracts indexed to NEWC and spot contracts based on market price. 6. To maintain competitive production cost versus those of alternative fuel sources. 	
<p>4. Investment risks</p> <ul style="list-style-type: none"> - Capital Allocation - Project Management - Guarantees in subsidiaries. 	<ol style="list-style-type: none"> 1. Debt as source of funds for investment should not exceed threshold of 2:1 D/E ratio at consolidated level while maintaining a current ratio level of greater than 1:1 at consolidated level. 2. Engage Owner's Engineer for the Power Plant Project Expansion. 3. Appoint Owner's Representative to perform direct supervision. 4. Hire technical experts to perform progress inspection at manufacturing phase. 5. Limit Parent guarantee to its equity share in the project. 6. Fund through Project Financing. <p>To manage financial risks from investment or project financing activities in subsidiaries :</p> <ol style="list-style-type: none"> a. Interest Rate risk management policy to manage interest cost or changes in market interest rates is using a mix of fixed and variable rate debts, and maintaining a balance of Peso-denominated and US Dollar-denominated debts; b. Liquidity risk management policy is to maintain a level of cash sufficient to fund the Company's monthly cash 	<p>To enable efficient use, allocation and management of capital and resources within the Company;</p> <p>To maintain a balance between continuity of funding and flexibility through the use of bank financing or availment of credit lines; and</p> <p>To realize the Company's capital management strategy of maintaining a strong credit rating and health capital ratios in order to support its business including expansion and investment strategies, and ultimately maximize shareholder value.</p>

Risk Exposure	Risk Management Policy	Objective
	requirements at least for the next four to six months; c. Foreign currency risk management policy is to match receipts and payments in the same currency.	

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

The Group's risk policy is to maximize strategic and business opportunities and minimize adverse outcomes, thereby optimizing shareholder value and ensuring sustainable growth through effective balancing of risks and rewards. The Group considers operations risk as its topmost strategic risks.

Risk Exposure	Risk Management Policy	Objective
1. Operations risks - Safety - Coal Quality and consistency - Supply Chain	1. Adherence to mine safety standards for open pit mining i.e. slope gradient/stability and sub-surface and surface dewatering system. 2. Use of latest technologies and tools for open pit safety 3. Emergency Preparedness and Response program and training. 4. Conformance to ISO OHSAS management system. 5. Continuous safety training and awareness to all personnel employees 6. In-situ determination of coal quality for proper blending to ensure it meets customer specifications. 7. Expansion of exploration drilling. 8. Mine management system. 9. Reconnaissance program for new coal concessions. 10. Implementation of ISO Integrated Management System to ensure effectiveness and sustainability. 11. Adoption of sparing system for critical parts; parts provided by local distributor of major mining equipment through parts consignment agreement and maintenance of spare inventory of parts with long order lead time.	To eliminate or reduce to the lowest level any risk that may result in fatality, personal injury, illness, property or environment damage and ensure safety, health and welfare of employees, workers and stakeholders; To produce and deliver on time quality coal that meets customers' specifications. To ensure sustainable supply chain requirements and avoid disruption in operations.

Risk Exposure	Risk Management Policy	Objective
<ul style="list-style-type: none"> - People & Talent - Natural Calamities (e.g. earthquake, tsunami), environment (typhoon, storm surge, flooding, landslide), slope stability. - Asset Performance - IT Risk 	<ul style="list-style-type: none"> 12. Continuous OJT and cadetship program for fresh graduates for manpower pooling. 13. Advanced training program for programs for power plant personnel. 14. Succession planning program. 15. Management Development program. 16. Implementation of Business Continuity Management System. 17. Risk transfer through insurance cover for physical assets, such as Industrial All-Risk, Floater, Fire, Marine Hull and Aircraft Hull insurance covers. 18. Strategic partnership with and Continuing and engagement of Original Equipment Manufacturer for improved plant efficiency and performance. 19. Establishment of Enterprise Asset Management System (EAMS), Policy, Process and Plan. 20. Optimization of power plant parameters through Distribution Control System and EAMS. 21. Implementation of IT system safeguards through security controls and mechanisms, and upgraded network appliances to support and protect critical infrastructure. 	<p>To ensure sustainable human resources that meet organizational needs and growth.</p> <p>To ensure early business recovery and continuity of critical services in the event of a disruption, with focus toward building organizational resilience.</p> <p>To ensure plant reliability and optimum performance.</p> <p>To secure critical infrastructure from vulnerabilities and potential malicious threats</p>
<p>2. Reputation and compliance risks</p> <ul style="list-style-type: none"> - Laws/Regulations/ Reputation - Contractual Breach 	<ul style="list-style-type: none"> 1. Compliance with applicable laws and regulations (e.g. EHS, Mine Safety, DOE regulations). 2. Conformance to ISO Integrated Management System – Quality, Safety, Health, Environment 3. Keeping abreast with emerging laws and regulations affecting mining and power industries. 4. Require Legal review for all contracts & agreements. 5. Regularly coordinate between business units to ensure 	<p>To ensure sustainability through partnership with key stakeholders;</p> <p>To protect and enhance shareholder value.</p>

Risk Exposure	Risk Management Policy	Objective
<ul style="list-style-type: none"> - Loan Covenants 	<p>customers' specifications are satisfied.</p> <ul style="list-style-type: none"> 6. Legal review before financial closing. 7. Finance review/monitoring on financial covenants. 	
<p>3. Market risks - refer to Market and/or Customer Dependence, Price Volatility and macroeconomic Shift in Demand.</p>	<ul style="list-style-type: none"> 1. To offer higher coal quality, better prices or larger guaranteed supply volumes. 2. To set minimum contracted volume for customers with long term supply contracts for each given period (within the contract duration) and re-pricing on a monthly basis to optimize price movement and profit margin. Risk mitigation measures involve improvement of the coal quality and market diversity. 3. To diversify customer base. 4. To effect forward integration from coal to power generation. 5. To implement different pricing schemes for local and foreign customers i.e. long-term contracts indexed to NEWC and spot contracts based on market price. 6. To maintain competitive production cost versus those of alternative fuel sources. 	<p>To minimize price volatility, mitigate any negative impact from price changes, allow flexibility in selling to target customers while protecting target margin or maximum profits.</p>
<p>4. Investment risks</p> <ul style="list-style-type: none"> - Capital Allocation - Project Management - Guarantees in subsidiaries 	<ul style="list-style-type: none"> 1. Debt as source of funds for investment should not exceed threshold of 2:1 D/E ratio at consolidated level while maintaining a current ratio level of greater than 1:1 at consolidated level. 2. Engagement of Owner's Engineer for the Power Plant Project Expansion. 3. Appointment of Owner's Representative to perform direct supervision. 4. Hiring of technical experts to perform progress inspection at manufacturing phase. 5. Limiting Parent guarantee to its equity share in the project. 6. Funding through Project Financing. <p>To manage financial risks from</p>	<p>To enable efficient use, allocation and management of capital and resources within the Company;</p> <p>To maintain a balance between continuity of funding and flexibility through the use of bank financing or availment of credit lines; and</p> <p>To realize the Company's capital management strategy of maintaining a strong credit rating and health capital ratios in order to support its business including expansion and investment strategies, and ultimately maximize shareholder value.</p>

Risk Exposure	Risk Management Policy	Objective
	investment or project financing activities in subsidiaries : d. Interest Rate risk management policy to manage interest cost or changes in market interest rates is using a mix of fixed and variable rate debts, and maintaining a balance of Peso-denominated and US Dollar-denominated debts; e. Liquidity risk management policy is to maintain a level of cash sufficient to fund the Company's monthly cash requirements at least for the next four to six months; f. Foreign currency risk management policy is to match receipts and payments in the same currency.	

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
Risk of Insider Expropriation

3. Control System Set Up

a. Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Operations risks	The risk assessment process requires quantifying and qualifying risks and how these are to be managed and controlled/treated. It involves the positive and negative consequences (impact) and the likelihood of occurrence (probability) using an Impact and Likelihood Matrix. Decisions are made in the context of the risk tolerance level determined by the Company. Risk owners periodically monitor risk portfolios and performance measures. This enables early detection of potential risk issues that may result to material operational loss, and are elevated to Senior	The Company ensures that operational procedures manuals are updated. Updated manuals serve as guide towards consistency of implementation within the Company, but allow flexibility for growth. Critical controls were continuously reviewed for improvement to appropriately manage key operational risks. Further, the continuity of operations is critical to provide stakeholders the necessary confidence that projected business targets and income projections can be managed. The Company is establishing its Business Continuity Plan to provide a standardized approach in handling crisis or emergencies, as well as

	<p>Management and to the Audit Committee, as appropriate.</p>	<p>support in managing Operation Risks.</p> <p><i>Integrated Management System</i> To manage the key risk areas for coal mining and mining-related activities, the Company has adopted the quality systems and principles of the International Organization for Standardization (ISO) since 2008. The Integrated Management System of its coal mining operations and support activities conforms to the Standards on ISO 9001:2008 Quality Management System (QMS), ISO 14001:2004 Environmental Management System and OHSAS 18001:2007 Occupational Health and Safety Management System. These management systems in place include the process for monitoring of operational performance and proper handling of issues for resolution for continuous improvement as well as policies to guide operations in the areas of health and safety, environment and community relations.</p> <p><i>Emergency Preparedness and Response Program</i> The Company has identified potential accidents and emergency situations and established appropriate preparedness and response procedures, including preventive actions and where appropriate, how to mitigate the environmental impacts and/or risk that may be associated with unplanned events, accidents and emergency situations. Building evacuation, fire and earthquake drills are conducted at least annually and evaluated by the designated government agency to test the effectiveness of these exercises. Emergency preparedness and response procedures are tested periodically to ensure full understanding and observance of all employees and regularly reviewed for improvement.</p> <p><i>Business Continuity Management System (BCMS)</i> The Company's BCMS aims to ensure early business recovery and continuity of critical services in the event of a disruption, whether anticipated or</p>
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		<p>unplanned, that might be, or could lead to a business loss, emergency or crisis. Its holistic framework is set in accordance with ISO 22301:2012 Societal Security – BCMS – Requirements, including business impact analysis, risk assessment and risk treatment action plans. Its crisis management and business continuity processes are focused toward building organizational resilience with the capability for an effective response to safeguard the interests of the various stakeholders.</p> <p>Business Continuity Plans (BCPs), are subjected to periodic re-assessment and testing to ensure their effectiveness or when the need for a re-review is deemed necessary in order for them to be responsive with the current risk profile of the business. Risk awareness and business impact assessment workshop are being conducted regularly across the organization</p> <p>Information Technology Risk Management</p> <p>The Company established its Information Technology (IT) Disaster Recovery Plan (DRP) to ensure early restoration of critical IT and communication services and systems with the most up-to-date data available for the Company’s business continuity. The DRP includes detailed back-up and recovery procedures, responsibilities of a Disaster Recovery Team and emergency procurement, among others. The Company maintains two (2) back-up servers which are already available at the designated Disaster Recovery “Cold Site”.</p>
Market Risks	Same as above	<p>The Company ensures that its customers’ needs and requirements are properly obtained and documented in the sales contracts. Proper planning and communication with operations enable the company to meet customer requirements and maintain customer satisfaction.</p> <p>The Company has established procedures (e.g., regular coordination meetings, close monitoring of market data, such as coal prices and freight) to</p>

		<p>ensure the quality, consistency, reliability and competitiveness of our coal supply to customers.</p> <p>Where appropriate, market risk management reports are reported by the risk owners to senior management for review and timely action, if necessary.</p>
<p>Reputation and Compliance Risks</p>	<p>Same as above</p>	<p>The Company, through its quality policy, commits to produce globally competitive coal that exceeds customers' expectations and stakeholders' confidence.</p> <p>Concerned risk owners have established service standards based on the valid expectations of relevant customers, both internal and external. The Company has identified critical quality standards that form part of the Key Results Areas (KRAs) of its employees. These standards are periodically monitored and observed to achieve continuous improvement and prevent events which may lead to reputational damage. This includes KRAs to ensure compliance to applicable legal and other requirements to which the company subscribes.</p> <p>Where appropriate, concerned risk owners elevate to senior management service quality reports for review and for proper and timely action, if necessary.</p> <p>Compliance</p> <p>Compliance to legal and regulatory requirements is a prime consideration in ensuring soundness of operations. The Company has established procedures for monitoring compliance to legal and other requirements. The Compliance Officer is appointed by the Board and designated to ensure adherence to corporate governance principles and best practices, as well as compliance to the Company's Revised Code of Corporate Governance.</p> <p>The Compliance Committee shares in the responsibility of assurance reporting on regulatory requirements. The Committee is headed by the Compliance Officer and has three (3) other Members who are executive officers tasked with</p>

	<p>Environment</p> <p>The Company's Environmental Unit (EU) regularly assesses its environmental programs for effectiveness and improvement. Air and water quality, noise level and hazardous-regulated materials are regularly tested, measured and monitored against standards and baseline data. Regular and surveillance audits are conducted by internal auditors, external parties and local regulators to assess the Company's continuing compliance with corporate policies, government regulations, industry guidelines and internationally recognized standards.</p>	<p>ensuring compliance covering SEC, PSE, legal, accounting and reporting standards, environmental, health and safety matters that are aligned to their functional scope of work responsibilities. The Compliance Committee regularly reports to the Audit Committee for continuous monitoring and updates of legal, regulatory developments and compliance matters, thus assuring the Board of their effective management and strategic sustainability.</p> <p>Environment, Health and Safety</p> <p>The Company's integrated Environment, Health and Safety (EHS) management system is built on a framework of continuous improvement of applied environmental and social responsibility performance standards. This includes a Hazard Identification and Risk Assessment process to ensure that environmental aspects associated with the Company's coal mining activity, products and services are identified, their impact to the environment, safety and health hazards evaluated for significance and necessary control measures implemented.</p> <p>The Company integrates value chain processes that minimize pollution and damage to the environment. Standard operating procedures include close monitoring of spontaneous combustion activity of coal stockpiles by continuous and thorough compaction, and inspection of stockpiles every start and middle of the operation shift. Air pollution control measures include road watering by six water trucks during dry season and hauling operation, setting truck speed limits, installation of pollution control facilities on the power plant smoke stack, use of dust-treat coagulants during product transfers and preventive maintenance program of mobile and airconditioning equipment. Waste water from the Company's Coal Washing Plant operations is channeled to settling ponds before recycling for plant watering use or to a constructed dike area for containment. The Company also established procedures in handling and containment of industrial materials and wastes, including clean-up and</p>
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		<p>restoration where needed. It implemented a progressive rehabilitation program of the old Unong mine and a section of the current Panian mine. Employees are mandated to comply with the Company's EHS objectives and policies such as the conservation and promotion of the local biodiversity, ecological solid waste management that promotes proper garbage segregation and reduced consumption of electricity, water and paper, among others.</p> <p>Safety</p> <p>The Company adopts best practices in open-pit coal mining operation with safe production as its most important objective. Its workplace safety objective is to eliminate or reduce to the lowest level any risk that may result in fatality, personal injury, illness, property or environment damage. Safety risks are addressed with focus on prevention and zero tolerance for fatality.</p> <p>Safety procedures are strictly enforced, including measures on slope stability and rebuilding, installation of dewatering pumps to control water intrusion or seepage, a crack monitoring team to continuously monitor ground displacements. Road and safety driving rules are strictly observed by equipment operators to ensure non-vehicular collision due to poor visibility from dust, a common risk to coal mining activity. All mobile equipment and vehicles are required to maintain safe driving distance of at least thirty (30) meters uphill and downhill, and to turn all headlights on at all times during the day. Reinforced education and training of workers and equipment operators for the proper use, repairs and maintenance of mining equipment have reduced accidents and injury events in the workplace. Job hazards, work instructions and guidelines are established and communicated to the workforce to ensure that such are carried out under controlled condition. Sufficient training and information are undertaken to promote a safety culture and safety behavior expected from everyone. The Company's suppliers and</p>
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		<p>contractors working on the Company's premises as well as customers and other visitors are required to comply with the Company's health and safety procedures.</p> <p>The Company's enhanced Safety programs include crack monitoring activities, hiring of additional safety personnel and the acquisition of a Robotic Total Station with thirty-three prisms strategically located around the pit for 24/7 monitoring wall movement. It engaged a third party consultant having expertise on slope stability to evaluate the mine design, extraction plan and physical stability of Panian mine to prevent potential landslide on the slope. Safety training programs are conducted regularly.</p> <p>The Company's Safety Management System and Policy were redrafted, reviewed with engagement from all necessary units within the organization and with conformance to applicable ISO Standards. Department units revisited major safety procedures through their respective departmental health and safety committees. The Central Safety and Health Committee commits to continual improvement towards a safe workplace for Mine Site personnel and guests.</p> <p>Good Governance Program SMPC Group adopts a corporate governance framework with good governance program and policies aimed to foster a culture of compliance, and promote higher standards of performance, transparency and accountability within the organization & subsidiaries, and to enhance shareholder value.</p>
Investment risks	<p>Same as above</p> <p>As part of liquidity risk management, the Company continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities.</p>	<p>Cash flow reports and forecasts relative to project funding activities are reviewed weekly to promptly address liquidity concerns.</p>

b. Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Operations Risks	<p>The risk assessment process requires quantifying and qualifying risks and how these are to be managed and controlled/treated. This process involves the positive and negative consequences (impact) and the likelihood of occurrence (probability) using an Impact and Likelihood Matrix. Decisions are made in the context of the risk tolerance level determined by the company.</p> <p>Risk owners periodically monitor risk portfolios and performance measures. This enables early detection of potential risk issues that may result to material operational loss. These are elevated to Senior Management and to the Audit Committee, as appropriate.</p>	<p>The Group ensures that operational procedures manuals are updated. Updated manuals serve as guide towards consistency of implementation within the company, but allow flexibility for growth.</p> <p>Further, the continuity of operations is critical to provide stakeholders the necessary confidence that projected business targets and income projections can be managed. The Group is establishing its Business Continuity Plan starting first with the parent (Semirara Mining Corporation) to provide a standardized approach in handling crisis or emergencies, as well as support in managing Operational Risk.</p> <p>The Group also has a Quality Management System in place which includes the process for monitoring of operational performance and proper handling of issues for resolution for continuous improvement as well as policies to guide operations in the areas of health and safety, environment and community relations.</p> <p>Information Technology Risk Management The Company established its Information Technology (IT) Disaster Recovery Plan (DRP) to ensure early restoration of critical IT and communication services and systems with the most up-to-date data available for the Company's business continuity. The DRP includes detailed back-up and recovery procedures, responsibilities of a Disaster Recovery Team and emergency procurement, among others. The Company maintains two (2) back-up servers which are already available at the designated Disaster Recovery "Cold Site".</p> <p>Subsidiary Power Plant Safety The Group's operating power subsidiary embraces the same</p>

		<p>culture of ensuring a safe workplace for its workforce. Formal safety policy supported by programs and procedures is in place at the power plant station. It has a Safety Division functional unit with a full-time Safety Officer which conducts site safety patrols considering ongoing activities of the Unit 1 rehabilitation and full internal safety inspection on a quarterly basis, among others. Its Safety Committee conducts monthly meetings.</p> <p>A formal Contractor Safety Management program is in place and enforced, with stricter safety requirements imposed on contractors. Contractor supervisors are responsible for providing safety orientation on site safety and procedures to their own staff. Contractor violations of safety rules and erring practices are dealt with immediately and duly considered against contractor performance.</p> <p>Safety training programs are conducted as planned and regularly provided to plant personnel. Trainings such as basic firefighting, emergency preparedness and exercise drills are organized regularly. Fire Safety /Lock-Out Tag-Out, Safety Audit and Behavioral-based safety trainings are conducted regularly. Supervisors of subcontractors are trained and briefed on plant site safety rules and are responsible for training their workers. Violations of safety rules are duly recorded.</p>
Market Risks	Same as above	<p>The Group ensures that its customers' needs and requirements are properly obtained and documented in the sales contracts. Proper planning and communication with operations enable the company to meet customer requirements and maintain customer satisfaction.</p> <p>The Group has established procedures to ensure the quality, consistency, reliability and competitiveness of our coal and power supply to customers.</p>

		Where appropriate, market risk management reports are reported by the risk owners to senior management for review and timely action, if necessary.
Reputation and Compliance Risks	Same as above	<p>The Group has committed to exceed customers' expectations and stakeholders' confidence.</p> <p>Concerned risk owners have established service standards based on the valid expectations of relevant customers, both internal and external. The company has identified critical quality standards that form part of the Key Results Areas (KRAs) of its employees. These standards are periodically monitored and observed to achieve continuous improvement and prevent events which may lead to reputational damage. This includes KRAs to ensure compliance to applicable legal and other requirements to which the group subscribes.</p> <p>Where appropriate, concerned risk owners elevate to senior management service quality reports for review and for proper and timely action, if necessary.</p> <p>Compliance to legal and regulatory requirements is a prime consideration in ensuring soundness of operations. The Group has established procedures for monitoring compliance to legal and other requirements.</p> <p>Good Governance Program The Group adopts a corporate governance framework with programs and policies aimed to foster a culture of compliance, and promote higher standards of performance, transparency and accountability within the organization & subsidiaries, and to enhance shareholder value.</p>

c. Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Internal Audit	Independent assurance review and regular reporting of the Company's risk management, control and governance processes	<p>The Internal Audit's role in ERM includes evaluation, monitoring and reporting the effectiveness of risk management processes. The Internal Audit Plan and prioritization of audit engagements are developed using a risk-based methodology with focus on critical and high-priority risks and exposures having significant impact to the Company's strategic objectives.</p>
Risk Committee (as approved by the Board on March 6, 2015)	Oversight of risk management function to ensure that the Company's Enterprise Risk Management (ERM) framework and risk management practices are effective to address significant risks affecting the achievement of the Company's strategic and business objectives.	<p>Enterprise Risk Management (ERM)</p> <p>1.1 Review and assess the adequacy and effectiveness of SMPC Group's ERM, policies, process and activities, the scope of which includes risk identification, assessment, mitigation, control systems, reporting and monitoring;</p> <p>1.2 Promote risk awareness and best practices in the organization;</p> <p>1.3 Ensure integration of risk management into the organization's goals and compensation structure, and create a corporate culture such that people at all levels manage risks effectively;</p> <p>1.4 Review and approve the risk mgt infrastructure and critical risk management policies, risk appetite and tone at the top throughout the organization;</p> <p>1.5 Monitor the organization's risk profile, its topmost and strategic risks vs. risk limits and risk strategy in accordance with approved guidelines;</p> <p>1.6 Continually, as well as at specific intervals, monitor risks and risk management capabilities within the organization, including communication about escalating risk and crisis preparedness and recovery plans;</p> <p>1.7 Continually obtain reasonable assurance from Management that all known and emerging risks have been identified and mitigated or managed;</p> <p>1.8 Oversee risk review activities regarding strategic and business development decisions (e.g. acquisitions), initiatives (e.g. new business segment), transactions and exposures;</p> <p>1.9 Review and approve the risk management plan at least annually. Management should develop a risk management plan that shall consider the maturity of the risk management of the organization and tailored to its specific</p>

		<p>conditions.</p> <p>2. Board Committees</p> <p>a) In coordination with the Audit Committee, understand how the organization's internal audit plan is aligned with identified risks, risk governance and risk management information needs;</p> <p>b) Monitor all enterprise-wide risks, and as such, recognize the responsibilities delegated to other Board Committees with the understanding that other Board Committees may emphasize specific risk monitoring through their respective oversight duties.</p>
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13) INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

- (a) Explain how the internal control system is defined for the company;
Internal control system refers to the framework under which internal controls are developed and implemented along with policies and procedures, to manage, reduce and control a particular risk or business activity, or combination of such risks or activities, to which the Company is exposed.
- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
The Board of Directors, through its Audit Committee, oversees the internal control environment including the reviews on adequacy and effectiveness of controls, systems and procedures by the Internal Audit and External Audit functions, both of which report directly and regularly to the Audit Committee and the Board. The results of the audit engagements carried out by the Internal Audit are communicated to the Audit Committee for review. Based on such reviews, discussions and attestation by the Internal Audit, the Board has reviewed and considered the adequacy and effectiveness of the internal control system.
- Annually, the Audit Committee reviews the Internal Audit Charter to make sure that the Internal Audit's functions are appropriately defined to effectively carry out its mandate and to align with the strategic direction of the Company. The Committee also confirms the Internal Audit's independence to make sure that the group will be able to perform its functions objectively and without bias.***
- (c) Period covered by the review;
2015.
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
Regular reviews of internal controls during the year are conducted by the Internal Audit using a risk-based process audit approach. In assessing the effectiveness of the internal control system, the Board considers internal controls designed to provide reasonable assurance for the achievement of the Company's objectives, the effectiveness and efficiency of its operations, the reliability of its financial reporting and faithful compliance with applicable laws, regulations, relations and internal rules.

The Board through its Audit Committee approves the Internal Audit plan for the year covering the business processes with high risks. The Internal Audit performs the audits to confirm the internal controls' design and continuous effectiveness for the covered period. The results of the audits are communicated to the Senior Management and the Audit Committee.

- (e) Where no review was conducted during the year, an explanation why not.
Not Applicable.

2) Internal Audit

- (a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Evaluates and provides reasonable assurance that risk management, control, and governance processes / systems are functioning as intended and enables the achievement of the organization's objectives and goals.	Semirara Mining and Power Corporation and its Subsidiaries' risk management, control and governance processes	In-house	Internal Audit (IA) Managers, Carla Cristina T. Levina, Karmine Andrea B. San Juan and Joseph D. Susa, lead and manage the IA function of Semirara Mining and Power Corporation and its Subsidiaries.	Regular reporting to the Audit Committee and the Board of Directors.

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes.

- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The Internal Audit functionally and directly reports to the Audit Committee and has unrestricted access to the Audit Committee. The Internal Audit periodically reports results of audit engagements and status of IA activities to the Audit Committee. The Board-approved Internal Audit Charter authorizes internal auditors to have full and reasonable access to all documents, records, assets, properties, plants, information systems, computers, personnel, etc.

- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Joseph D. Susa	Additional Internal Audit Manager eff. Nov 2015, in line with the Company's growth.
Crisgundy D. Sabado	In November 2015, Mr. Crisgundy Sabado, IA Officer, was promoted and re-assigned to head the newly-created Risk Advisory Department with the primary function of facilitating the risk management process of the organization.

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	The 2015 Audit Plan has been significantly completed. Audit engagements relating to environment, safety and health (ESH) are deferred to 2016 to address competent technical resource within Internal Audit.
Issues⁸	Findings and appropriate management response or action plans are continuously monitored by Internal Audit. Unresolved and pervasive issues, if any, are highlighted and reported to the Audit Committee.
Findings⁹	Findings and appropriate management response or action plans are continuously monitored by Internal Audit. Unresolved and recurring findings, if any, are highlighted and reported to the Audit Committee.
Examination Trends	Reviews, based on the approved internal audit plan, are improved from year-to-year to produce more value-adding findings and recommendations. In 2015, a risk-based process approach was adopted focusing on the risk management, control and governance processes of the SMPC Group, rather than a risk-based functional unit approach.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) **Preparation of an audit plan inclusive of timeline and milestones;**
- 2) **Conduct of examination based on the approved audit plan;**
- 3) **Evaluation of IA progress in the implementation of the approved audit plan;**
- 4) **Documentation of issues and findings as a result of the examination;**
- 5) **Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;**
- 6) **Conduct of the foregoing procedures on a regular basis.**

(f) Audit Control Policies and Procedures

Policies & Procedures	Implementation
Internal Audit Procedures include, but are not limited to, the following:	Done

⁸ "Issues" are compliance matters that arise from adopting different interpretations.

⁹ "Findings" are those with concrete basis under the Company's policies and rules.

<p>i. Audit Strategic Planning</p> <p>ii. Audit Engagement Planning</p> <p>iii. Execution of the Audit</p> <p>iv. Reporting of Results</p> <p>v. Monitoring of Agreed Action Plans</p>	
<p>Feedback from audit client is obtained through a formal survey upon completion of an individual audit engagement to assess audit activity's effectiveness in meeting the needs of its audit client and identify opportunities for improvement.</p>	<p>Done after completion of each audit engagement.</p>

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p>Independence of the Internal Audit (IA) is achieved through the organizational status of the IA Department and adherence by internal auditors to IIA's Code of Ethics. IA directly & functionally reports to the Audit Committee on the planning, execution and results of IA activities. The Company's Insider Trading policy imposes observance of blackout trading periods as set by the policy.</p>	<p>The Company maintains a policy of open & constant communication and disclosure of its activities, subject to insider information guidelines. Equal access of company information are made available to financial/stock analyst and limited only to facts and valid information under a formal Q & A set-up.</p>	<p>The Company maintains a policy of open & constant communication and disclosure of its activities, subject to insider information guidelines. The Company's financial risk management policy is to deal with prime or rated investment banks which offer quality service at the highest yield benchmarked against rates set by BSP. Moreover, the Company's Codes of Conduct promote honest and fair dealings over negotiations with stakeholders.</p>	<p>The Company maintains a policy of open and constant communication and disclosure of its activities, subject to insider information guidelines. Association with rating agencies is not encouraged or any grant of favour that may influence objectivity.</p>
<p>The Audit Committee's oversight duties of the internal audit function include its required approval of services to be rendered by Internal Audit and subsequent review thereof.</p>	<p>The Company respects valuation analysis of its stock by financial analysts or institutional fund managers. It does not counter any grossly overstated/understated assumptions made resulting to unfair ratings.</p>	<p>The Company respects valuation analysis of its stock by financial analysts or institutional fund managers. It does not counter any grossly overstated/understated assumptions made resulting to unfair ratings.</p>	

<p>Oversight of external audit by the Audit Committee incl. its review of the performance and independence of the external auditor, and pre-approval of non-audit engagement, scope, fees & terms with the external auditor.</p>	<p>The Company's Gift and Entertainment policy explicitly disallow employees from any interest in or benefit from any supplier that could reasonably be interpreted as inducing favoritism towards a particular supplier over others. The Company sends an annual reminder to key business partners to respect its Gift and Entertainment Policy and other related good governance policies.</p>	<p>The Company's Gift and Entertainment policy explicitly disallow employees from any interest in or benefit from any supplier that could reasonably be interpreted as inducing favoritism towards a particular supplier over others. The Company sends an annual reminder to key business partners to respect its Gift and Entertainment Policy and other related good governance policies.</p>	<p>The Company's Gift and Entertainment policy explicitly disallow employees from any interest in or benefit from any supplier that could reasonably be interpreted as inducing favoritism towards a particular supplier over others. The Company sends an annual reminder to key business partners to respect its Gift and Entertainment Policy and other related good governance policies.</p>
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- (1) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The Chairman of the Board, the CEO and the Compliance Officer attested to the Company's full compliance with SEC's Code of Corporate Governance. All Directors, officers and employees have been properly advised of their respective duties as prescribed by the Code and that internal mechanisms are in place to ensure such compliance. Likewise, the Company's 2014 Revised Code of Corporate Governance have been communicated to all Directors, Officers and Employees to apprise them of the amendments mainly due to the inclusion of the Company's duties and responsibilities to the stakeholders.

14) ROLE OF STAKEHOLDERS

- a. Disclose the company's policy and activities relative to the following:

	Policy	Activities
<p>Customers' welfare</p>	<p>The Company's policy is to supply its customers with quality coal that meets their stringent specification. Customer engagement covers quality control, responsible communication, customer access, complaint resolution and customer satisfaction.</p>	<p>The Company continuously measures and monitors the characteristics of coal to ensure that customer requirements are met and understood with notification to the customer of significant changes, if any, communicated in a timely manner before effecting any change. Analysis of quality are regularly conducted and results recorded to evidence conformity with the requirements. Coal shall not be loaded and shipped until all the coal quality analysis are conducted and all results passed the customer's specification.</p>

		<p>Customer safety during Mine Site visits is ensured through observance of safety procedures while at Company premises.</p> <p>Client feedback mechanism is implemented through periodic customer satisfaction surveys conducted at least annually to measure client perception in meeting customer criteria on Delivery, Product Quality, Responsiveness, Technical Support and Customer Concerns Addressed. Customer concerns, if any, are addressed and resolved through corrective action and after-sales settlement guidelines.</p>
Supplier/contractor selection practice	<p>The Company's quality policy for procurement activities ensure competitive sourcing and pricing of highest quality of goods and services to support the Company's objectives.</p>	<p>Activities include procedures on accreditation, evaluation of new suppliers and re-evaluation of performance of accredited suppliers of critical materials every twelve months to ensure consistent quality of purchased products and services. Suppliers are selected and evaluated based on their track record, price, payment terms and performance on criteria such as product quality, response to problems and delivery. Canvassing procedures ensure competitive pricing, favorable terms and value-added services without compromising quality.</p> <p>The Company has integrated 'green' initiatives and sustainable practices in its accreditation procedures including those of its power subsidiaries. Suppliers are screened using environmental criteria such as waste management, environmental / regulatory compliance certificates; and social criteria such as labor practices in supply chain covering child labor, forced labor; and human rights criteria.</p>
Environmentally friendly value-chain	<p>The Company integrates value chain processes that minimize pollution and damage to the environment. Its integrated Environment, Health and Safety (EHS) management system is built on a framework of continuous improvement of applied</p>	<p>The Company's EHS system includes a Hazard Identification and Risk Assessment process to ensure that environmental aspects associated with the Company's coal mining activity, products and services are identified, their impact to the environment, safety and health hazards evaluated</p>

	<p>environmental and social responsibility performance standards.</p> <p>Its supply chain management policy considers the impact and influence of its procurement practices related to raw material inputs and natural resource utilization.</p>	<p>for significance and necessary control measures implemented. It has established controls and procedures in receiving, storing and handling of hazardous materials with due care to the environment, health and safety, applicable laws and regulations, and in conformance to the related ISO standards.</p> <p>Employees and contractors are mandated to comply with the Company's EHS objectives and policies such as the conservation and promotion of the local biodiversity, ecological solid waste management that promotes proper garbage segregation and reduced consumption of electricity, water and paper, among others.</p> <p>Air Pollution Management</p> <p>Standard operating procedures include close monitoring of spontaneous combustion activity of coal stockpiles by continuous and thorough compaction, and inspection of stockpiles every start and middle of the operation shift. Air pollution control measures include road watering by six water trucks during dry season and hauling operation, setting truck speed limits, installation of pollution control facilities on the power plant smoke stack, use of dust-treat coagulants during product transfers and preventive maintenance program of mobile and airconditioning equipment.</p> <p>a. <u>New 1x15MW plant air pollution monitoring and control facilities</u></p> <p>i. <u>Control of SO₂ and NO₂ on plant emission - The plant uses "limestone injection or dozing" to regulate SO₂ and NO₂ below the allowable limit in the flue gas.</u></p> <p>ii. <u>Control of Dust Particulate on plant emission - The plant uses "electrostatic precipitator" and "bag filters" to collect fly ash from the flue gas.</u></p> <p>iii. <u>Control of Dust from the coal feeding lines- In every coal transfer point there is a dust collector installed to collect dust generated</u></p>
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		<p>during transfer.</p> <p><u>iv. Monitoring of Flue Gas Emission - The plant has installed a Continuous Emission Monitoring System (CEMS) to enable us to monitor in real time the quality of flue gas emission of the plant.</u></p> <p>b. <u>Coal Stockpiling in the Coal Blending Stockpile area</u> <u>The plan to cover and enclose the entire area of coal blending stockpile has already started construction. When the stockpile area is enclosed this will prevent coal dust coming from the reclaiming and stacking of coal being dispersed out of the enclosure and goes to the nearby community.</u></p> <p>Waste Management <u>The Company's new power plants in Semirara Island and Calaca, Batangas make use of unwashed and low grade coal, thus eliminating the production of washing plant waste water.</u> The Company also established procedures in handling and containment of industrial materials and wastes, including clean-up and restoration where needed. Its progressive rehabilitation program of old Unong mine and a section of current Panian mine is part of its sustainable value chain process.</p> <p>Ash Waste Management The Company's operating power plant subsidiary steps up environmental mitigation with the conversion of its furnace Bottom Ash Handling Systems from the Wet System to Dry System, during the rehabilitation of Units 1 and 2 of the power plants at Calaca, Batangas. Unit 1 has a water Impounded Hopper System while Unit 2 has a Submerged Scraper Conveyor System.</p> <p>The conversion minimizes the environmental impact of the plant operation and makes the plant more eco-friendly. It eliminates the use of water – both seawater and freshwater – for the transport of the bottom ash. It reduces the carbon content of the bottom ash and recovers the energy</p>
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		<p>from the ash, i.e. energy locked in the unburned carbon and refunds to the boiler.</p> <p>Another benefit is the potential commercial use of the dry low-carbon ash, which can be used for road construction when mixed with asphalt. This will augment the recoverability of the waste product of burned coal at the power plant.</p>
Community interaction	<p>The Company's policy is to work in partnership with its host communities to improve the sustainability of both the community and the environment while promoting local economic empowerment with judicious use of natural resources. Its comprehensive and holistic corporate social responsibility (csr) program encompasses 5 Es – Electrification, Education and Skills Training, Employment and Livelihood, Emergency Preparedness (Community) and Environmental Protection. The 5 Es program is replicated in its power plant subsidiaries.</p>	<p>5 Es CSR PROGRAM :</p> <p>Electrification <u>The Company partnered with Antique Electric Cooperative (ANTECO) in the installation of power lines and continues to provide electricity to the communities of Semirara Island through subsidized generation cost, i.e. lower than actual generation cost resulting to substantially low energy cost throughout the island.</u></p> <p><u>In 2013, it started building a new 15MW coal-fired power plant using the modern Circulating Fluidized Bed (CFB) technology that will significantly reduce sulfur and nitrous oxides and particulate emissions compared to a traditional power plant. Moreover, the CFB technology can also utilize low-grade coal as fuel and thereby maximize the island's coal resources.</u></p> <p>Education & Skills Training The Company continues to provide support to various schools in Semirara Island and Batangas through infrastructure, facilities, equipment and services to improve and/or further quality education for the residents. Computers and computer literacy trainings are offered to complement education with current technology tools and knowhow. It partners with government agencies and NGOs in providing technical and vocational skills training courses and programs to give locals work employment opportunities.</p> <p>Economic Empowerment The Company is the single biggest employer of Semirara Island.</p>

		<p>The Company helped to establish and continues to support the Semirara Fishing Association and Community Relations fishing groups. It built a food court with stalls for various consumer goods in Barangay Semirara to provide employees' families and local residents with main livelihood or means to augment family income.</p> <p>Infrastructure support included construction of local chapels, an ice plant for fish and marine catch of fishermen and footbridges, among others.</p> <p>Emergency Preparedness The Company's close partnerships with local government units and key sectors involve community-based emergency preparedness initiatives such as disaster and risk reduction management workshops and drills. It co-organized in partnership with the local government a comprehensive island-wide training on emergency response.</p> <p>Environmental Protection</p> <ol style="list-style-type: none"> a. The Company partners with concerned stakeholder groups to regularly assess its environmental programs for effectiveness and improvement. Air and water quality, noise level and hazardous-regulated materials are regularly tested, measured and monitored against standards and baseline data. b. Sea water sampling and analysis are regularly conducted at five sites within Barangay Semirara and set against baseline parameters. Results of this activity indicated sea water in and around the Mine Site as within the standards set by DENR Administrative Order 1990-34 for Coastal and Marine Waters, Class SC. c. Noise level self-monitoring is conducted quarterly. d. Regular and surveillance audits are consistently conducted by internal auditors, external parties and local regulators to assess continuing
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		<p>compliance and conformance with corporate policies, government regulations, industry guidelines and applicable internationally – recognized standards. The Company received re-certification from the Governing Board of Certification International Philippines, Inc. for conformance, for the fifth consecutive year, to the International Organization for Standardization ISO 14001:2004 on Environmental Management System.</p> <p>e. The Company established the Tabunan Marine Hatchery Laboratory to lead the efforts in marine rehabilitation through spawning and reseeded of giant clams in the reefs of Semirara Island to reverse the damages wrought by overfishing and dynamite and cyanide fishing in the 1990's.</p> <p>f. <u>The Company has planted 3,818,594 native and beach forest trees from 2000 to 2015. Of these, 3,238,206 million trees survived and now contribute to carbon capture, and wind and dust control.</u></p> <p><u>Note: Sustainability reporting information are disclosed in the corporate responsibility section of the Company's Integrated Annual Report.</u></p>
<p>Anti-corruption programmes and procedures?</p>	<p>The Company's Anti-corruption & ethics program consists of ethics-related policies, soft controls and audit procedures aimed to promote the highest standards of openness, probity and accountability throughout the organization.</p> <p>a. The Codes of Conduct clearly set expectations of all Directors, Officers and Employees to conduct business with the highest ethical standards and in accordance with all applicable laws, rules and regulations. They are expected to adhere to the principles and core values of integrity, honesty, fair dealings and excellence, among others.</p>	<p>a. To monitor compliance with the Conflict of Interest policy, the Company requires early submission by a Director, Officer and employee of a "single transaction" disclosure statement, and due before potential conflict of interest arises, of his direct or indirect financial interest in a specific contract or purchase proposed to be entered into by the Company, subsidiaries or its affiliates with or from a particular contractor or supplier. Failure to make proper disclosure as required may result in disciplinary action.</p> <p>b. Directors, Officers and Employees (including members of their</p>

	<p>The Codes explicitly provide guidelines for all, including immediate family members within a degree of affinity or consanguinity, on anti-corrupt practices involving conflict of interest, business gifts and entertainment, among others.</p> <p>b. The Conflict of Interest Policy is integrated in the Company's Codes of Conduct which explicitly provide guidelines for all Directors, Officers and employees, including their immediate family members within a degree of affinity or consanguinity, on anti-corrupt practices involving conflict of interest, business gifts and entertainment, among others. Conflict of interest situations also refer to ownership of a part of another company or business having interests adverse to the Company and accepting commissions or share in profits from any supplier, customer or creditor. Your Company does not seek competitive advantages through illegal, unethical or unfair dealing practices. Improper communications with competitors or suppliers regarding bids for contracts are reported to the senior management, Chairman of the Board or the Audit Committee, as appropriate.</p> <p>c. The Gift and Entertainment Policy and guidelines explicitly disallow employees from any interest in or benefit from any supplier that could reasonably be interpreted as inducing favoritism towards a particular supplier over others.</p> <p>d. The Fraud and Ethics Response Policy affirms the Company's opposition to fraud and reinforces the Company's approach by setting out the procedures and ways in which employees or other stakeholders can voice their concerns or complaints about</p>	<p>families) shall not solicit or accept gift and entertainment from an actual or prospective customer, supplier, contractor or business partner as it could be construed as improperly influencing business judgment or action. The Company sends an annual reminder before the Christmas season to its suppliers, contractors, customer and business partners of to respect its gifts and entertainment policy.</p> <p>c. The Fraud & Ethics Response Policy outlines how the Company will deal with such complaints and determine its course of action depending on their nature.</p> <p>d. The Whistleblowing reporting system includes the use of a Hotline reporting Form to guide the Reporter in providing adequate information and basis to enable the Company to effectively investigate, evaluate and resolve the reported matter.</p> <p>e. Risk assessment of corruption and fraud risks by risk levels conducted are annually assessed as part of the Risk Control Self-Assessment process of the Company's Enterprise Risk Management. All business units have been assessed as to their vulnerability to such risks. Risk review results are evaluated by the Internal Audit (IA) in its annual audit plan and reported to the Audit Committee.</p>
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	suspected fraud or corruption.	
Safeguarding creditors' rights	It is the Company's policy to support strategic partnerships with suppliers, creditors and other business partners with honoring commitments to agreements and timely payments of contracted obligations. Moreover, the Code of Conduct promotes fair dealings with creditors and business partners including observance of confidentiality of proprietary non-public information such as contract terms or bids, that might either be harmful to its suppliers, creditors and business partners or of use to their business competitors.	Activities are geared towards support of the Company's capital management strategy to ensure the Company maintains a strong credit rating and healthy capital ratios to support its business, maximize shareholder value and safeguard creditors' rights. The Company's quality management system establishes procedures for timely processing of disbursements, regular updates of the Company's operating and financial performance, conducting Mine Site visits for financial institutions, among others.

- b. Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Yes, the Company's Integrated Annual Report includes a corporate responsibility report section which describes the Company's corporate social responsibility program, initiatives, policies and activities.

- c. Performance-enhancing mechanisms for employee participation.

- i. What are the company's policy for its employees' safety, health, and welfare?

The Company's integrated Environment, Health and Safety (EHS) management system policy supports a framework of continuous improvement of applied environmental and social responsibility performance standards. Its workplace safety policy objective is to eliminate or reduce to the lowest level any risk that may result in fatality, personal injury, illness, property or environment damage. Employees are mandated to comply with the Company's EHS objectives and policies such as the conservation and promotion of the local biodiversity, ecological solid waste management that promotes proper garbage segregation and reduced consumption of electricity, water and paper, among others. The Company's coal mining operation is recertified in its seventh consecutive year by the Governing Board of Certification International Philippines, Inc. as being in conformance to International Organization for Standardization ISO 18001:2007 on Occupational Health and Safety Management System.

The Company's mining safety policy adopts global best practices in open-pit coal mining operation with safe production as its most important objective. It ranks loss of life or unacceptable threat to human safety as its most significant interruption impact factor. Safety risks are addressed with focus on prevention and zero tolerance for fatality. Mining safety procedures are strictly enforced, including measures on slope stability and rebuilding, installation of dewatering pumps to control water intrusion or seepage and crack monitoring teams to continuously monitor ground displacements. Suppliers, contractors as well as customers and other visitors at the Company's premises are required to comply with the Company's health and safety procedures. Safety training programs are regularly provided during the year to ensure a safe workplace for the workforce and other stakeholders.

Employee well-being is promoted through the Company's health care programs covering annual physical examination, physical fitness and sports activities to encourage and maintain a proactive healthy lifestyle, recreational activities to foster camaraderie and team building, and spiritual activities to foster one's personal values, among others. The Company provides free primary medical services to Mine Site employees and workers, their dependents and local residents at the Company's own level-one hospital at Semirara Island.

- ii. Show data relating to health, safety and welfare of its employees.

2015 SAFETY DATA

	Mine Site	Power Plant Site
No. of Non-Lost time Accidents, Non-Fatal	<u>59</u>	<u>4</u>
No. of Lost time Accidents, Non-Fatal	<u>0</u>	<u>0</u>
No. of Lost time Accidents, Fatal	<u>9</u>	<u>0</u>
Lost Work Days	<u>54,000</u>	<u>0</u>
Total Manhours Worked	<u>9,010,085.00</u>	<u>843,879.86</u>
Lost Time Injury Rate or Frequency Rate	<u>1.0</u>	<u>0</u>
Severity Rate	<u>5993.28</u>	<u>0</u>

**includes 9 casualties from July 17, 2015 mine pit incident.*

	Mining	Power	Total Workforce
No. of Safety Committee Personnel	<u>45</u>	<u>78</u>	<u>123</u>
Total Workforce	<u>3,319</u>	<u>795</u>	<u>4,114</u>

List of Benefits to Full-time Employees		
Govt Mandated Benefits	Additional Company Benefits	CBA
SSS Contribution	Life and Accident Insurance	In-House Health Care (R&F)
Pag – Ibig (HDMF) Contribution	Health Care Insurance	1 sack milled rice every 2 mos. (R&F)
Phil Health Contribution	Sick Leave Credits after first year of employment – 15 days after one year	Service Award (R&F)
13 th Month Pay	Vacation Leave Credits after first year of employment – 15 days per year	Bereavement Financial assistance
Maternity Leave – 60 up to 78 days	Free primary medical services to Mine Site workers & their dependents	Emergency leave – 4 days/year
Paternity Leave – 7 days	Bereavement Leave – 4 days per covered family member	Medicine Allowance upon anniversary (R&F, Special Skills)
Solo Parent Leave – 7 days	Medical Allowance – P 1,500/year per regular employee	Relocation allowance (upon retirement)
Special Gynecological Surgery Leave Benefits for Women – two months	Free Housing – Mine Site	
<u>Anti-Violence Against Women and Children – 10 days</u>	Free Power & Water utilities – Mine Site	
Retirement Benefit (RA 7641) – Your Company has a funded, noncontributory defined benefit plan.	Free Education (K to 12) for dependents – Mine Site	
	Subsidized medicine cost in Company hospital pharmacy – Mine Site	

	Dormitory for Power Plant employees residing more than 36 kms. away from the Plant	
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iii. State the company's training and development programmes for its employees. Show the data.

The Company's employee development programs focus on training and career development aim to nurture and maximize the full potentials of its human resources. Training programs are designed based on competencies and talent requirements of the individual employees. These training programs under Behavioral Values, Leadership, Quality Management, Environment Health & Safety (EHS) and Professional Development categories are designed to meet specific target objectives towards people and organizational excellence.

Its Talent development programs include trainings, seminars and workshops such as skills upgrade, leadership, short management courses, ISO quality management principles, EHS, risk awareness, sustainability, among others. During the year, EHS initiatives included, among others, Office Safety and Ergonomics training to orient staff regarding workplace safety, and Basic Occupational Safety and Health training for incoming Safety Committee members. Professional development programs also include technical trainings of engineers outside the country.

MINING WORKFORCE 2015 TRAINING HOURS PER CATEGORY PER WORKFORCE LEVEL

Training Category	Executives	Managers	Supervisors	Staff	Total
Environment, Health and Safety	40	1,133	3,462	22,263	26,898
Leadership	120	188	1,237	0	1,545
Quality Management System	48	672	1,196	4,087	6,003
Professional & Technical Development	170	279	184	2,342	2,975
Behavioral	-	-	24	1,131	1,155
No. of Training Hours	378	2,272	6,103	29,823	38,576
Training Hours per Category %	1%	6%	16%	77%	100%
Number of Mining Workforce	15	48	218	3,038	3,319
Average training hours per level	25	47	28	10	12
Total 2015 Training Spend				P	2,740,262
Average Training Spend per Mining Workforce				P	826

POWER WORKFORCE 2015 TRAINING HOURS PER CATEGORY PER WORKFORCE LEVEL

Training Category	Executives	Managers	Supervisors	Staff	total
Professional & Technical Development	6	878	2,547	10,555	13,986
Leadership	24	463	1,279	320	2,086
Quality Management System	42	410	413	703	1,568
Environment, Health & Safety	-	208	322	2,360	2,890
Behavioral	-	52	152	1,511	1,715
No. of Training Hours	72	2,011	4,713	15,449	22,245
Training Hours per Category %	0%	9%	21%	70%	100%
Number of Power Workforce	5	41	66	683	795
Average training hours per level	14	49	71	23	28
Total 2015 Training Spend				P	3,940,889
Average Training Cost per Power Workforce				P	4,957

- iv. State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.

The Company's remuneration philosophy aims to ensure an overall compensation structure that is closely linked to individual performance, Company performance and shareholder value. Its remuneration strategy sets compensation levels that are appropriately competitive in attracting, motivating and retaining competent individuals. Its reward/compensation policy accounts for Company performance based on a Balanced Scorecard (BSC) cascaded to all levels throughout the organization. Performance Objectives, Targets and Programs (OTPs) aligned with the Company's strategic and operational plans of the organization are defined at the beginning of the year throughout the organization. Key Performance Indicators (KPIs) to measure employee engagement in the Company's strategy map are set and agreed with Management. Management conducts performance monitoring through periodic meetings with department heads.

Its talent management program includes a regular review of rewards and benefits through benchmarking of market and industry remuneration data based on compensation surveys. Core values on teamwork, excellence, integrity and professionalism are integrated in its competency-based performance management system. All employees are expected to perform their duties with highest ethical standards and excellence.

- d. What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

For issues raised by employees or other stakeholders, the action taken by the Company will depend on the nature of the concern. The matters raised may be investigated internally or be referred to law enforcement officers. Where the loss is substantial, legal advice should be obtained without delay. Legal advice should also be obtained about prospects for recovering losses, where the perpetrator refuses repayment. Subject to legal constraints, the person who reported the alleged fraud or corruption will receive information about the outcome of any investigation and that the matter has been properly addressed. Reporting of any concern or complaint raised is treated with due care and confidentiality. The Company expressly prohibits retaliation, intimidation, harassment or adverse employment consequences against a person who raises a concern or complaint. It shall investigate and address promptly any concern of reprisal and harassment brought to its attention.

15) DISCLOSURE AND TRANSPARENCY

a. Ownership Structure

- i. Holding 5% shareholding or more (as of December 31, 2015)

Shareholder	Number of Shares	Percent	Beneficial Owner
DMCI Holdings, Inc.	601,942,599	56.32%	1. Dacon Corporation holds <u>6,838,807,440</u> shares or <u>51.51%</u> 2. DFC Holdings, Inc. holds <u>2,370,782,060</u> shares or 17.86% 3. PCD Nominee Corp. (Foreign) holds <u>2,170,626,244</u> shares or 16.35% 4. PCD Nominee Corporation (Filipino) holds <u>1,463,786,636</u> shares or <u>11.02%</u>
PCD Nominee Corp. (Filipino)	<u>149,126,390</u>	<u>13.95%</u>	N/A
Dacon Corporation	<u>130,825,527</u>	<u>12.24%</u>	1. Inglebrook Holdings, Inc. holds 3,948,510 shares or 12.42%

			2. 2. Eastheights Holdings, Inc. holds 3,948,510 shares or 12.42% ¹⁰
PCD Nominee Corp. (Foreign)	<u>114,574,067</u>	<u>10.72%</u>	Hongkong and Shanghai Banking Corp. Ltd holds <u>81,051,993</u> shares or <u>7.58%</u>

Name of Senior Management	Number of Direct shares ¹¹	Number of Indirect shares / Through (name of record owner) ¹²	% of Capital Stock
Isidro A. Consunji	<u>6,036</u>	<u>969,918</u>	<u>0.09</u>
Victor A. Consunji	<u>36</u>	<u>1,581,414</u>	<u>0.15</u>
Maria Cristina C. Gotianun	<u>357</u>	<u>1,210,104</u>	<u>0.11</u>
George G. San Pedro	<u>120,090</u>	-	<u>0.01</u>
Jaime B. Garcia	<u>144,108</u>	-	<u>0.01</u>
Junalina S. Tabor	-	-	<u>0.00</u>
Nena D. Arenas	<u>4,000</u>	-	<u>0.00</u>
John R. Sadullo	-	-	<u>0.00</u>
Antonio R. Delos Santos	<u>15,000</u>	-	<u>0.00</u>
Jose Anthony T. Villanueva	<u>750</u>	<u>13,890</u>	<u>0.00</u>
Sharade E. Padilla	<u>1,800</u>	<u>270</u>	<u>0.00</u>
TOTAL	<u>292,177</u>	<u>3,775,596</u>	<u>0.38</u>

b. Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	No, Remuneration is disclosed as part of a group total in compliance with SEC reporting format.

¹⁰ Other beneficial owners of Dacon Corporation with the same number of shares are Gulfshore Inc., Valemount Corporation, Chrismon Investment Inc., Jagjit Holdings, Inc., La Lumiere Holdings, Inc., Rice Creek Holdings, Inc. while Double Spring Investments Corporation holds 201,909 shares or .64% of the issued and outstanding shares.

¹¹ As of December 31, 2015.

¹² *Ibid.*

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

c. External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SGV & Co.	<u>PHP5.4 M, incl. Subsidiaries' audit fees of PHP2.9 M</u>	<u>PHP 73,920</u>

d. Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

- a) **Announcements/updates or disclosures**
- b) **Quarterly/annual regulatory reporting**
- c) **Email**
- d) **Company Website**
- e) **Written correspondence**

e. Date of release of audited financial report:

February 23, 2016

f. Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

g. Disclosure of RPT

Related Party Transactions are disclosed in detail in the Notes to Financial Statements of the Company's audited financial statements.

RPT	Relationship	Nature	Value
<i>Refer to Notes to Financial Statements of the Company's audited financial statements.</i>			

When RPTs are involved, what processes are in place to address them in the manner that will safeguard

the interest of the company and in particular of its minority shareholders and other stakeholders?

The Company's Independent Directors are required to review material/significant RPTs that meet the threshold levels stipulated by regulatory rules and requirements on RPTs, as well as the guidelines of the RPT Policy, in order to determine whether RPTs are in the best interests of the Company and Shareholders.

The Board-approved Policy sets out the guidelines, categories and thresholds requiring review, disclosure and prior approval by the Board of Directors or Shareholders of such transactions. It also defines RPTs deemed to be pre-approved by the Board in accordance with the Company's Board-approved Table of Authorities. It provides guidelines on the identification, review and approval of RPTs. It is the Company's policy that RPTs are arms-length and at terms generally available to an unaffiliated third party under the same or similar circumstances. There must be a compelling business reason to enter into such a RPT, taking into account such factors as expertise of related party, cost efficiency, among others. All RPTs shall be disclosed to the Audit Committee and any material RPT shall be disclosed to the Board. The Audit Committee assists the Board in its review of RPTs. The Audit Committee's quarterly review of the financial statements includes related party accounts to ensure that RPTs are fair to the Company, conducted at arms' length terms and considered such factors as materiality, commercial reasonableness of the terms and extent of conflict of interest, actual or apparent, of the related party, as defined by the policy, participating in the transaction.

16) RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Majority of the Issued & Outstanding Capital Stock
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Votation
Description	Show of hands at the Board level; by poll voting at the 2015 ASM

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
Right to Notice of Meeting	As listed company notice to stockholders are sent at least 15 trading days prior to the scheduled stockholder's meeting
Right to Vote in person or proxy	Adopts guidelines on voting in person or proxy under SRC Rule 20
Appraisal Right	N/A
Under certain conditions the Right to Petition the SEC to call for a stockholders' meeting	N/A
Right to participate in decisions concerning fundamental corporate changes such as	N/A

amendments to the Company's constitution, authorization of additional shares and transfer or sale of all or substantially all of the Company's assets, sale of a business unit or subsidiary that accounts for a majority portion of the Company's assets	
Right to inspect corporate books and records	N/A
Right to information	N/A
Right to dividends	N/A

Dividends

Declaration Date	Record Date	Payment Date
<u>April 22, 2015 /Cash</u>	<u>May 7, 2015</u>	<u>May 20, 2015</u>

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Notice of Annual or Special Meeting are promptly disclosed to the Philippine Stock Exchange and immediately posted in the Company's website. This will allow the stockholders to be notified ahead of the actual mailing of Definitive Information Statement (including notice). Included in the documents sent out to stockholder is a sample copy of the proxy which stockholders may use in order for them to participate thru proxy, if they so wish. Note these documents that are sent out are likewise posted and disclosed at the Exchange.	There is no strict procedure adopted by the Company regarding matter in which communications from stockholder are sent. Any communications properly addressed will reach the addressee. Proposal or concerns of stockholders when appropriate will be taken up by the Company's Board.
Corporation has put a website with contact details for shareholders' concerns.	Communications with shareholders may be done by phone and thru email to investor_relations@semirampc.com
During stockholders meeting, stockholders after the agenda item of Management Report, stockholders are given an opportunity to raise questions, clarification and other matters of concerns.	Communication is made verbally but if the stockholders wishes may later be put down in writing.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
 - a. Amendments to the company's constitution
 - b. Authorization of additional shares
 - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

The Company promotes a culture of transparency with protection and equal respect of shareholder/investor rights embodied in its Revised Code of Corporate Governance. It follows the rules under the Corporation Code whereby shareholders can vote on the items presented for their

approval at stockholders' meetings. Shareholder rights include their participation in decisions concerning fundamental corporate changes such as amendments to the Company's constitution, authorization of additional shares and transfer or sale of all or substantially all of the Company's assets, sale of a business unit or subsidiary that accounts for a majority portion of the Company's assets.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?
Yes, the Company observes a minimum 21 business days disclosure or announcement of its Notice of AGM and items to be resolved by shareholders.
 - a. Date of sending out notices: ***March 6, 2015***
 - b. Date of the Annual/Special Stockholders' Meeting: ***May 4, 2015***
4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Ms. Olga Vendivel, stockholder of the Corporation asked the following questions:

Q: How do we classify the investments in power by Semirara and DMCI Power?

A: Mr. Isidro A. Consunji replied that the business of Semirara involves only those power plants connected to the main grid and only with coal as fuel. He identified investments on the 600MW (Calaca Plant acquired from government, National Power Corporation) 2x150MW (Phase 1 of the expansion) and the 350MW (Phase 2) all located Calaca, Batangas through its wholly-owned subsidiaries, SEM-Calaca Power Corporation and Southwest Luzon Power Generation Corporation for the Calaca Plant and Phase 1, respectively. On the other hand, DMCI Power is investing on "off-grid" power plants which may use fuel other than coal. He mentioned that investments of DMCI Power in power plants are located in Masbate, Palawan, and Mindoro.

Q: What are the reserves in Semirara Island?

A: Mr. Consunji replied that there are four essential mineable resources in Semirara Island namely, coal, silica, limestones, and clay. As to the comparison, coal is about PHP2,000/ton, limestone about PHP100/ton, silica probably less than PHP100/ton. From the point of view of financial reserves, coal by far can be valued at 99%. The Company had talks with Holcim a few years ago to put up a cement plant in Semirara, however, talks were cancelled since Holcim merged with Lafarge. He further stated that the Company is talking with an international company for the partnership.

Finally, Mr. Consunji said that clay is currently being manufactured as bricks for low cost housing and used as a substitute for hollow blocks. Clays are being use for social responsibilities or to address CSR issues. This way it can generate employment and eliminate waste coal, rather for making money. We have also donated these hollow blocks to build school and churches. He believed however that clay will be a profitable enterprise in the next five years but nowhere in the scale of coal. In case of silica, in the case the cement plant happens then the three elements (minerals) will be consumed.

An Analyst from ATR-Kim Eng Asset Management, Ms. Hanna Compos, also asked the following questions:

Q: What are the key milestones that we should look at in the next month for the commercial operations?

A: Mr. Isidro A. Consunji replied that with respect to the current expansion (Phase 1) when we got this plant admittedly we encountered problems with the Chinese mainly due to cultural

differences on how they work versus how we view things and issue on communication barriers. The reason why we built this plant coming from China is because they are the only ones who can build a plant (CFB) that can burn 40% ash. The implication of this is that about 10% of production of the mine is waste coal. To market waste coal, it has to undergo a washing process and it consumes a lot of water, consumes electricity and throws away during the washing process about 25-30% of the energy as waste. If this 2x150 MW plant comes into play, we will be able to consume waste coal "as is" and therefore derive additional value and it is only the Chinese who has mastered this technology for this kind of plant. With this, we have accepted the challenges of working with them.

Q What are the progress of your next expansion, the capacity, technology and possible partner?

A: Mr. Consunji replied that the expansion has the capacity of 350MW coal-fired power plant. Discussion is on-going with a potential partner under a 50:50 ownership structure to be implemented by a different project company. He declined to give more details on the partnership but noted further information will be available within 90 days.

After all of the above queries or clarifications have been explained, there were no other questions raised.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Approval of Previous Minutes of Stockholders Meeting held on May 5, 2014	<u>867,718,876</u> or 99.73%	<u>none</u>	<u>none</u>
Approval of Management Report	<u>866,751,396</u> or 99.89%	<u>216,880</u>	<u>750,600</u>
Ratification of Acts of Officers & Board of Directors in 2014	<u>832,657,422</u> or 95.96%	<u>none</u>	<u>35,061,454</u>
Approval of of Independent Director and Non-Executive Director Fees	<u>867,718,876</u> or 96.99%	<u>none</u>	<u>none</u>
Appointment of External Auditor	<u>867,718,876</u> or 99.99%	<u>none</u>	<u>none</u>

1. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions: ***The results of votes on the approved items were taken during the recent AGM for all resolutions were disclosed immediately and simultaneously to SEC and PSE on May 4, 2015. The same was posted in the Company's website on same date.***

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None	Not Applicable

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Isidro A. Consunji, Victor A. Consunji, Cesar A. Buenaventura, Jorge A. Consunji, Maria Cristina C. Gotianun, Ma. Edwina C. Laperal, Josefa Consuelo C. Reyes, Herbert M. Consunji, Victor C. Macalincag, Rogelio M. Murga, John R. Sadullo, Jaime B. Garcia, Junalina S. Tabor, Jose Anthony T. Villanueva, Antonio R. Delos Santos, Nena D. Arenas, Sharade E. Padilla	May 4, 2015	Poll balloting	<u>3.25%</u>	<u>77.94%</u>	<u>81.19%</u>
Special	N/A					

(i) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Yes, the Company appointed SGV & Co. as the independent body to count and validate votes at the ASM.

(ii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes, one vote for one share.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	Company adopts SRC Rule 20 (b).
Notary	Proxy need not be notarized except when in the form of a Corporate Secretary Certificate for corporate stockholders.
Submission of Proxy	Submitted not later than 10 days from date of meeting.
Several Proxies	Company adopts SRC Rule 20 (11) (b).
Validity of Proxy	Only for meeting at hand except when provided in a statement in the proxy but not more than 5 years from the date of the proxy.
Proxies executed abroad	Must be duly authenticated by the Philippine Embassy or Consular Office.
Invalidated Proxy	Non recognition of votes, stockholder is informed of such

	fact.
Validation of Proxy	Performed by a committee of inspectors appointed by the Board of Directors.
Violation of Proxy	Results to invalidation of votes.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
Sent at least 15 trading days prior to date of meeting together with SEC Form 20-IS, Audited Financial Statement and Mini-Annual Report	By registered mail

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	<u>669</u> as of Record Date.
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	Actual distribution is made by <u>the Company via registered mail</u>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	April 7, 2015
State whether CD format or hard copies were distributed	All copies sent are printed copies
If yes, indicate whether requesting stockholders were provided hard copies	Not Applicable

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	<u>Yes</u>
The amount payable for final dividends.	<u>Yes</u>
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

The Company promotes a culture of transparency with protection and equal respect of shareholder/investor rights embodied in its Revised Code of Corporate Governance. As such, Minority rights as embodied in the Corporation Code allows them to the right to cumulate their votes for election of directors and the right to nominate directors, among others.

Policies	Implementation
See above policy.	

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes.

17) INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The Legal Department, through proper disclosure of material information as defined under Rules of Disclosure of the Philippine Stock Exchange, is tasked to communicate said material information in the form of disclosure statements posted at the Exchange. The content of the disclosures are based on resolutions already approved by the Board of Directors during their meetings. The CEO reviews and approves major company announcements.

Corporate information is communicated in a timely and transparent manner to individual and institutional investors (shareholders) by timely and adequate disclosures through announcements, quarterly or annual reporting, Company website and investor relations activities such as analyst briefings and media/press conferences. The Company also partners with media in informing stakeholders of timely business developments or on an as-need basis.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	To provide knowledge, understanding & transparency of the Company's business, operating and financial condition to the investing public.
(2) Principles	To sustain investor confidence, the Company maintains a policy of open and constant communication and disclosure of its activities, subject to insider information guidelines and other pertinent Company policies.
(3) Modes of Communications	One-on-one meetings, regular and special analysts and investor briefings, joint media briefings/press releases with parent,, investor conferences hosted by fund managers or institutional investors (local and foreign), non-deal roadshows with parent, conference calls, emails, hosting of site visits, disclosures to PSE/SEC, and company website.
(4) Investors Relations Officer	Sharade E. Padilla Tel. +632 8883644 Fax +632 8883553 Email : investor_relations@semirarampc.com

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

The Company is essentially an operating company, not a holding company, with its primary purpose to engage in mining of coal and other minerals. While its secondary purpose per its Articles of Incorporation is to acquire and take over all or any part the business, goodwill, property and others, it has not however sought to do so. The Board has established decision authority policies on limits, levels of authorization and nature of transactions, of which the latter include investment and divestment activities, among others. Furthermore, shareholder rights include their participation in decisions concerning fundamental corporate changes such as transfer or sale of all or substantially all of the Company's assets, sale of a business unit or subsidiary that accounts for a majority portion of the Company's assets, among others.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

Not Applicable.

18) CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Semirara Mining and Power Corporation :

Initiative	Beneficiary
ELECTRIFICATION	
Island power generation	<p><u>Semirara Mining and Power Corporation (SMPC) has at least 34 megawatts of available power on Semirara Island. Its base load relies on a 15MW coal-fired power plant that was commissioned in late 2014 and that uses the modern Circulating Fluidized Bed (CFB) technology.</u></p> <p><u>The two (2) x 7.5 MW coal-fired power plant and the two (2) x 4.8 MW Mirrlees Blackstone bunker engines provide back-up power on the island.</u></p>
Power distribution and consumption on Semirara Island	<p>In 1999, the Company installed power distribution lines and worked with the Antique Electric Cooperative (ANTECO) to provide electricity to the communities of Semirara Island. Prior to that, only the mine site and the employees' village had electricity.</p> <p>The Company gives each employee's household free power allocation of 300 kwh per month while excess usage is paid through salary deduction. The island residents also enjoy PhP200 free electric utility, a benefit the local government of Barangay Semirara has been providing its residents.</p> <p><u>Power costs a consumer on the island about PhP5.60/kWh when SMPC spends about PhP5.04 to generate 1kW of electricity from the coal-fired power plant and its backup diesel generator. ANTECO pays the company PhP2.50/kWh it is supplied.</u></p> <p><u>Power consumption of the Company housing facilities and the rest of the communities on the island reached 10,383,909 kwh in 2015.</u></p>

Initiative	Beneficiary
ECONOMIC EMPOWERMENT	
Royalty payments	<p><u>Royalty payment for 2015 is expected to reach a total of PhP1.8 billion: PhP1.08 to the national government, PhP144 million Antique Province, PhP324 million Caluya Municipality, and PhP252 million Barangay Semirara.</u></p>
Employment	<p><u>Of the 3,319 of SMPC workforce, more than 50% are based in Caluya, Antique Province. Payroll at the mine site reached PhP895.85 million in 2015.</u></p> <p><u>Minesite employees of the company enjoy free housing and support for water and power utilities, free primary and secondary education for their dependents at the Divine Word School of Semirara Island, Inc. (DWSSI), and transportation to and from place of work. Health and well-being programs no longer just target employees but their dependents as well.</u></p>
Payment for contractor services	<p><u>The Company hires local contractors to build and maintain its buildings, roads, housing facilities, sports and recreation facilities, and to fabricate and repair equipment. From 2008 to 2015, total amount paid these contractors reached PhP511 million.</u></p> <p><u>Food services paid by the Company for the same period reached PhP26.4 million.</u></p>
Sea linkage	<p><u>The Company acquired a 200-passenger boat to facilitate access of its employees to services and supplies not available on Semirara Island. It started plying the Bulalacao, Mindoro Oriental - Semirara Island, Caluya route in December 2015.</u></p>
Infrastructure support to local communities	<p><u>In March 2015, the Company started to develop a park adjacent to the Semirara Plaza in Bgy. Semirara.</u></p> <p><u>In September, construction of nine (9) housing units for indigent families in Sitio Villaresis commenced. The Company supplied the construction materials for the project while the Caluya Municipal Government shoulders the cost of labor.</u></p> <p><u>The Company also continued to fulfill its commitment to households in Sitio Sabang of Bgy. Tinogboc affected by the local government's resettlement program. By the end of 2015, it has supplied all construction materials needed to build at least 92 houses. 68 of these houses have been completed, and 64 of which have been occupied.</u></p>

EDUCATION & SKILLS TRAINING	
Divine Word School of Semirara Island, Inc. (DWSSII)	<p><u>Semirara Mining and Power Corporation (SMPC) sends the dependents of its workers to Divine Word School of Semirara Island Inc., paying for tuition and fees and providing and maintaining facilities and equipment for quality learning.</u></p> <p><u>For SY 2015-2016, tuition and fees at DWSSII cost more than PhP22 million, while improvements and repairs cost PhP858,062.</u></p>
Semirara Training Center, Inc. (STCI)	<p><u>In 2015, STCI registered 172 students, their tuition and fees reaching more than PhP10 million. The center also upgraded training equipment with the acquisition of five (5) new lathe machines and one (1) radial drill machine that cost a total of PhP5.85 million.</u></p> <p><u>Since its establishment in 2006 until end-December 2015, STCI has had 1,041 graduates, of which, 517 are employed with the company.</u></p>
K-12 education	<p><u>DWSSII will be K-12 ready by SY 2016-2017 with the help of STCI's trainers, who will supplement the teaching requirements for the Science, Technology, Engineering and Mathematics (STEM) academic track of DWSSII's incoming senior high school students.</u></p>
Scholarships	<p><u>Students of DWSII and Semirara National High School graduating at the top of their class are given college scholarships, attending classes in Metro Manila and other major cities of the Philippines.</u></p> <p><u>The Company supported 38 scholars in 2015. The scholarships include tuition and fees and, for students requiring further support, monthly allowances. Workers' dependents who are studying in Mindoro Occidental are given housing support.</u></p>
Classrooms and other support infrastructure	<p><u>The Company will build the necessary infrastructure in early 2016 to accommodate the students from DWSSII and other high schools within the municipality.</u></p> <p><u>The Company also donated construction materials for a six (6) - classroom building intended for the families affected by the Caluya Municipal Government's resettlement project in Sitio Poocon of Bgy. Tinogboc. The building is now ready for use.</u></p>

ENVIRONMENTAL PROTECTION	
Unong mine rehabilitation	<p><u>Operations at Unong mine pit was ended in 2000 after producing 12 million metric tons of coal. The pit filled with water over the years, transforming into Unong Lake that now hosts meter-long eels, tilapia, and some hawksbill sea turtles released in the area back in 2011.</u></p> <p><u>A three (3)-kilometer circumferential road was developed to make the area a place for recreation for island residents. The company completed the construction of a 1.8 kilometer-long zipline atop the lake in 2015.</u></p> <p><u>The rim and the surrounding areas were planted with various species of trees and ornamental plants. In 2015, the Company developed 30 hectares of land in the northern areas of the former mine pit to plant Florida napier (<i>Pennisetum purpureum</i>), Pakchong 1 napier (cross of <i>Pennisetum purpureum</i> and <i>Pennisetum glaucum</i>), and star grass (<i>Cynodon nlemfuensis</i>) to feed dairy cows expected to be at site by early 2016.</u></p>
Progressive rehabilitation at Panian Mine	<p><u>Rehabilitation of the rim of Panian Mine started in 2011. 1,199,581 trees of various species have been planted, covering 360.252 hectares by the end of 2015.</u></p> <p><u>As Panian Mine nears the end of its mine life, about 113 hectares in the southern half of the pit have been filled with overburden from ongoing coal mining operations in Panian and from the development of Narra Mine to its east. The area presents another opportunity to apply what the company learned from rehabilitating Unong Mine, and to feature in a mine site some species of the old forests of the Philippines.</u></p>
Water management	<p><u>Sanglay and Casay man-made lakes in Barangay Semirara served as the main sources of water for both industrial and domestic use in 2015, but more sources of freshwater were developed and tapped in anticipation of the effects on the island of the ongoing El Niño.</u></p> <p><u>Water for domestic use, especially water from Bunlao Spring in Bgy. Alegria, feeds into a PhP40 million filtration plant that was installed in June 2012. The use of reverse osmosis technology at the refilling station started in October 2015 which improved the quality of potable water available for island residents.</u></p> <p><u>Daily consumption of domestic water in 2015 was at an average of 2,426 cubic meters.</u></p>

<p>Semirara Marine Hatchery Laboratory</p>	<p><u>Giant clams spawning and reseeded</u></p> <p><u>The facility has been spawning and reseeded seven (7) species of the giant clams: <i>Tridacna gigas</i>, <i>Tridacna squamosa</i>, <i>Tridacna derasa</i>, <i>Tridacna maxima</i>, <i>Tridacna crocea</i>, and <i>Hippopus hippopus</i> at the Tabunan marine sanctuary of Bgy. Semirara, including <i>Hippopus porcellanus</i>, the broodstock of which came through an exchange with the Marine Ecology Research Center of Sabah, Malaysia in 2014.</u></p> <p><u>The population of the giant clams in and around Semirara Island stood at 112,378 by end-2015.</u></p> <p><u>The giant clams project for reefs rehabilitation around Semirara Island won 1st runner up in the Corporate Social Responsibility Category of the ASEAN Coal Awards in Kuala Lumpur, Malaysia in October 2015.</u></p> <p><u>Corals transplantation</u></p> <p><u>Staff of the Semirara Marine Hatchery Laboratory pick up broken off fragments of various species of corals in the reefs of Semirara Island and re-plant these in the Tabunan marine sanctuary.</u></p> <p><u>In 2015, the facility has reseeded 309 pieces of these transplanted corals. It also continues to maintain a coral ocean rope nursery for grow-out of <i>Acropora</i> sp. corals.</u></p> <p><u>Community reefs rehabilitation</u></p> <p><u>In November 2015, Semirara Mining and Power Corporation sponsored a visit to Apo Island off Dumaguete City by the officials of all three barangays on Semirara Island.</u></p> <p><u>With Dr. Angel C. Alcala, National Scientist and former Secretary of the Department of Environment and Natural Resource, and who initiated the establishment of a Marine Protected Area (MPA) on Apo Island in the early '80s, Semirara Island's barangay officials were able to dialogue with residents of Apo Island and witnessed how the establishment of MPAs could benefit island communities.</u></p> <p><u>The visit aimed to inspire the participants to continue reefs rehabilitation and establish more effective ways in environmental stewardship on Semirara Island.</u></p>
<p>Inland reforestation and mangroves area development</p>	<p><u>Semirara Mining Power and Corporation has planted 3,818,594 native and beach forest trees from 2000 to 2015. Of these, 3,238,206 million trees survived and now contribute to carbon capture, and wind and dust control.</u></p> <p><u>The Company has planted 873,070 mangroves in the same period, of which 529,800 survive.</u></p> <p><u>The reforestation program, which is part of the mines rehabilitation efforts of the company, provides livelihood to about 51 personnel on a regular basis while providing daily wage to 224 workers during the rainy season.</u></p>

Solid Waste Management	<p><u>In 2015, Barangay Semirara and the workers' villages in Bgy. Alegria generated a total of 938.91 tons of waste.</u></p> <p><u>From the biodegradable waste, the waste facility was able to produce 127 kilograms of compost that is then used in the nurseries, landscaping and reforestation efforts.</u></p>
COMMUNITY EMERGENCY PREPAREDNESS	
Training on emergency management and response	<p><u>For the fourth consecutive year, Semirara Mining and Power Corporation co-organized with the Office of the Municipal Mayor of Caluya and Barangay Semirara a comprehensive island-wide training on emergency response.</u></p> <p><u>The Office of the Provincial Disaster and Risk Reduction Management (DRRM) was again tapped to train the island management group and the teams of first responders on 08-13 June 2015.</u></p> <p><u>The officers of Municipal Government of Caluya's also participated in the 2015 trainings, bringing the people trained on emergency management to 37, and first responders to 132.</u></p>
OTHERS: COMMUNITY MEDICAL AND HEALTH SUPPORT	
Company-operated infirmary serves employees, their dependents and community members	<p><u>In 2015, the infirmary operated with the support of six (6) medical doctors, one (1) pathologist, five (5) dentists, a medical technologist, a pharmacist and a pharmacy assistant, two (2) x-ray technicians, seven (7) nurses, a midwife, and two (2) nurse aides.</u></p> <p><u>In March 2015, it started operating an ultrasound clinic at least once a month, and it has served 108 patients.</u></p> <p><u>The medical facility has also purchased a new digital x-ray machine, and improved operations and services on Semirara Island by signing up a radiologist, and an x-ray technologist to operate it. The new equipment has performed 1,610 procedures serving 1,342 persons.</u></p> <p><u>The facility's medical director and head nurse attended a training and seminar on the Tuberculosis Directly-Observed Treatment Short Course (TB-DOTS) initiated by the Philippine Coalition Against Tuberculosis. The training allowed for the accreditation of the company's infirmary as a TB-DOTS facility, a requirement for PhilHealth renewal of medical facilities in the country.</u></p> <p><u>The facility's personnel trained a total of 122 company employees on Basic Life Support (BLS) in February to December 2015. They continue to provide free primary medical services to company employees and their dependents, and local residents.</u></p> <p><u>The infirmary supports community health, logging 13,171 medical and 2,692 dental consultations, 412 physical and pre-employment examinations and 97 successful delivery of infants in 2015.</u></p>

Sem-Calaca Power Corporation and Southwest Luzon Power Generation Corporation (Subsidiaries) :

Initiative	Beneficiary
Education and Skills Training	<p><u>Scholarships</u> <u>Engineering and Excellent Performers - 37</u></p> <p><u>Skills Training</u></p> <ol style="list-style-type: none"> 1. <u>Masonry - 18</u> 2. <u>Electrical Installation and Maintenance - 29</u> 3. <u>Shielded Metal Arc Welding - 34</u> 4. <u>Mechatronics 3 - 21</u> <hr/> <p><u>Teacher Trainings</u></p> <ol style="list-style-type: none"> 1. <u>Effective Teaching Techniques - 80 teachers</u> 2. <u>Maximizing Academic Performance - 40 teachers</u> 3. <u>How to Become a Champion Learner - 165 students</u> 4. <u>Teaching Science through Interactive Approaches Seminar/Workshop - 54 science teachers from Balayan and 6 science teachers from Semirara Island</u> <hr/> <ol style="list-style-type: none"> 1. <u>Sponsorship of Travelling Interactive Science Centrum stationed at Balayan West Central School, the Science Sparks Exhibit - 7,245 elementary students and 3,781 high school students</u> 2. <u>Donation of plywood, filing cabinets and various items for the technical training workshop of Dacanlao G. Agoncillo National High School</u> 3. <u>Donation of paint for Brigada Eskwela of Calaca and Balayan Schools</u> 4. <u>Donation of vermiworms and vegetable seedlings for the vegetable garden of Balayan West Central School</u> 5. <u>Free Lecture for graduating class of Industrial Technology of Batangas State University covering safety orientation, basic automotive principle, carpentry and masonry</u> 6. <u>Engineering Training Program, an internship program for 17 engineering graduates from the Province of Batangas</u> 7. <u>Facilitated the delivery of two DLP Projectors for Camastilisan and Matipok Elementary School</u> 8. <u>Donation of school supplies for 120 Special Children in the Municipality of Nasugbu</u> 9. <u>Donation of mock-up board component for EIM Training in two schools (Pedro A Paterno NHS and Dacanlao G Agoncillo NHS) in Calaca and 1 school in Balayan (Balayan NHS)</u>
Infrastructure support	<p><u>School facilities</u></p> <ol style="list-style-type: none"> 1. <u>Completion of Schoolbuilding for Baclaran Elementary School - 3 classrooms</u> 2. <u>Fabrication of gate for extension campus of Dacanlao G. Agoncillo National High School at Barangay Puting Kahoy</u> 3. <u>Donation of hollow blocks and used rebars for the</u>

	<p><u>construction of canteen of Dacanlao G. Agoncillo Elementary School</u></p> <p><u>Host Barangays</u></p> <ol style="list-style-type: none"> <u>1. Repair of roofing of Barangay Baclaran stage, Balayan</u> <u>2. Repair of Bridge of Barangay Timbain, Calaca</u> <u>3. Donation of concrete hollow blocks and used rebars for the repair of chapel in Barangay San Juan in Balayan</u> <u>4. Donation of polyethylene pipe and accessories for the rehabilitation of Barangay Dacanlao water system</u> <u>5. Donation of bottom ash as backfill materials for Barangay Durungao Chapel</u>
Health	<ol style="list-style-type: none"> <u>1. Conduct of 7 free clinic sessions: Barangays Baclaran, Sampaga, San Rafael, Dacanlao and Calantas</u> <u>2. Conduct of 5 free clinic sessions with feeding program: Barangays Baclaran, Quizumbing, Pantay, Camastilisan and Dacanlao</u> <u>3. Conduct of Medical Missions:</u> <u>Medical patients - 645</u> <u>Dental patients - 194</u> <u>Optical patients - 248</u> <u>4. Conduct of Operation Tuli - 225 patients</u> <u>5. Donation of one box of assorted medicine for Batangas PNP medical mission in Barangay Taklang Anak, Calaca</u> <u>6. Donation of two boxes of assorted medicine for the medical mission of Bantay Bata Foundation in Barangay Sinisian, Calaca</u> <u>7. Facilitated the delivery of ambulance for Barangay Baclaran funded under DOE Energy Regulations 1-94</u>
Environmental Protection	<ol style="list-style-type: none"> <u>1. River clean-up along Cawong River</u> <u>2. Clean-up drive along drainage canal of AM Casanova Road</u> <u>3. Donation of fifty pieces of used steel drums as trashcans to Barangay Dacanlao</u> <p><u>Seedling Distribution:</u></p> <ol style="list-style-type: none"> <u>1. Balayan BJMP - 100 seedlings</u> <u>2. TESDA RIV-A - 300 seedlings</u> <u>3. Balayan East District schools - 100 seedlings</u> <u>4. Balayan National High School - 100 seedlings</u> <p><u>Tree/Bamboo Planting:</u></p> <ol style="list-style-type: none"> <u>1. Bamboo Planting along Dacanlao River - 1,012 seedlings</u> <u>2. Tree Planting along Dacanlao River - 400 seedlings</u>
Livelihood	<ol style="list-style-type: none"> <u>1. Sponsorship of Dairy Farm Orientation for interested farmers in Calaca in partnership with National Dairy Authority and Municipal Agriculture Office of Calaca</u> <u>2. Cooperative Development Seminar for members of</u>

	<u>Adhika Producer's Cooperative of Barangay Dacanlao for the effective management of their CHB Making Livelihood Project funded under DOE Energy Regulations 1-94</u>
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Sem-Calaca Power Corporation and Southwest Luzon Power Generation Corporation (Subsidiaries) :

	Beneficiary
<i>Education and Skills Training</i>	<u>Scholarships</u> <u>Engineering and Excellent Performers - 37</u> <u>Skills Training</u> 5. <u>Masonry - 18</u> 6. <u>Electrical Installation and Maintenance - 29</u> 7. <u>Shielded Metal Arc Welding - 34</u> 8. <u>Mechatronics 3 - 21</u>
	<u>Teacher Trainings</u> 5. <u>Effective Teaching Techniques - 80 teachers</u> 6. <u>Maximizing Academic Performance - 40 teachers</u> 7. <u>How to Become a Champion Learner - 165 students</u> 8. <u>Teaching Science through Interactive Approaches Seminar/Workshop - 54 science teachers from Balayan and 6 science teachers from Semirara Island</u>
	10. <u>Sponsorship of Travelling Interactive Science Centrum stationed at Balayan West Central School, the Science Sparks Exhibit - 7,245 elementary students and 3,781 high school students</u> 11. <u>Donation of plywood, filing cabinets and various items for the technical training workshop of Dacanlao G. Agoncillo National High School</u> 12. <u>Donation of paint for Brigada Eskwela of Calaca and Balayan Schools</u> 13. <u>Donation of vermiworms and vegetable seedlings for the vegetable garden of Balayan West Central School</u> 14. <u>Free Lecture for graduating class of Industrial Technology of Batangas State University covering safety orientation, basic automotive principle, carpentry and masonry</u> 15. <u>Engineering Training Program, an internship program for 17 engineering graduates from the Province of Batangas</u> 16. <u>Facilitated the delivery of two DLP Projectors for Camastilisan and Matipok Elementary School</u> 17. <u>Donation of school supplies for 120 Special Children in the Municipality of Nasugbu</u> 18. <u>Donation of mock-up board component for EIM Training in two schools (Pedro A Paterno NHS and Dacanlao G Agoncillo NHS) in Calaca and 1 school in Balayan (Balayan NHS)</u>

<p>Infrastructure support</p>	<p><u>School facilities</u></p> <ol style="list-style-type: none"> <u>1. Completion of Schoolbuilding for Baclaran Elementary School - 3 classrooms</u> <u>2. Fabrication of gate for extension campus of Dacanlao G. Agoncillo National High School at Barangay Puting Kahoy</u> <u>3. Donation of hollow blocks and used rebars for the construction of canteen of Dacanlao G. Agoncillo Elementary School</u> <p><u>Host Barangays</u></p> <ol style="list-style-type: none"> <u>6. Repair of roofing of Barangay Baclaran stage, Balayan</u> <u>7. Repair of Bridge of Barangay Timbain, Calaca</u> <u>8. Donation of concrete hollow blocks and used rebars for the repair of chapel in Barangay San Juan in Balayan</u> <u>9. Donation of polyethylene pipe and accessories for the rehabilitation of Barangay Dacanlao water system</u> <u>10. Donation of bottom ash as backfill materials for Barangay Durungao Chapel</u>
<p>Health</p>	<ol style="list-style-type: none"> <u>8. Conduct of 7 free clinic sessions: Barangays Baclaran, Sampaga, San Rafael, Dacanlao and Calantas</u> <u>9. Conduct of 5 free clinic sessions with feeding program: Barangays Baclaran, Quizumbing, Pantay, Camastilisan and Dacanlao</u> <u>10. Conduct of Medical Missions:</u> <u>Medical patients - 645</u> <u>Dental patients - 194</u> <u>Optical patients - 248</u> <u>11. Conduct of Operation Tuli - 225 patients</u> <u>12. Donation of one box of assorted medicine for Batangas PNP medical mission in Barangay Taklang Anak, Calaca</u> <u>13. Donation of two boxes of assorted medicine for the medical mission of Bantay Bata Foundation in Barangay Sinisian, Calaca</u> <u>14. Facilitated the delivery of ambulance for Barangay Baclaran funded under DOE Energy Regulations 1-94</u>
<p>Environmental Protection</p>	<ol style="list-style-type: none"> <u>4. River clean-up along Cawong River</u> <u>5. Clean-up drive along drainage canal of AM Casanova Road</u> <u>6. Donation of fifty pieces of used steel drums as trashcans to Barangay Dacanlao</u> <p><u>Seedling Distribution:</u></p> <ol style="list-style-type: none"> <u>5. Balayan BJMP - 100 seedlings</u> <u>6. TESDA RIV-A - 300 seedlings</u> <u>7. Balayan East District schools - 100 seedlings</u> <u>8. Balayan National High School - 100 seedlings</u> <p><u>Tree/Bamboo Planting:</u></p> <ol style="list-style-type: none"> <u>3. Bamboo Planting along Dacanlao River - 1,012</u>

	<p><u>seedlings</u></p> <p>4. <u>Tree Planting along Dacanlao River - 400 seedlings</u></p>
Livelihood	<p>3. <u>Sponsorship of Dairy Farm Orientation for interested farmers in Calaca in partnership with National Dairy Authority and Municipal Agriculture Office of Calaca</u></p> <p>4. <u>Cooperative Development Seminar for members of Adhika Producer's Cooperative of Barangay Dacanlao for the effective management of their CHB Making Livelihood Project funded under DOE Energy Regulations 1-94</u></p>

19) BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Annual self-assessment by the Board Directors using a formal questionnaire is administered and compiled by the Chief Governance Officer who subsequently advises results thereof to the Board highlighting the Board's strengths and those areas requiring Board attention for appropriate action.	Assessment areas cover Board responsibilities, structure, meetings, processes, and management support.
Board Committees	<p>Audit Committee - Annual self-assessment of its own performance using a formal questionnaire with defined quantitative rating and corresponding qualitative description for such rating. Eff. 2012, results of the Audit Committee's self-assessment and rating of its performance are reported to SEC.</p> <p>Board Committee performance self-assessment by respective Committee Members using a formal questionnaire is administered and compiled by the Chief Governance Officer. Results are discussed in Committee meetings highlighting those areas for appropriate action.</p>	<p>Audit Committee - The Company adopts SEC's guidelines on effectiveness of Audit Committee performance as its appraisal criteria which cover (i) committee structure & organization,(ii) oversight on financial reporting and disclosures,(iii) oversight on risk management & internal controls, (iv) oversight on management & internal audit, and (v) oversight on external audit.</p> <p>Areas to assess effectiveness of the Compensation and Remuneration Committee, Nomination and Election Committee, and <u>Risk Committee</u> include performance of oversight duties and responsibilities as per SEC Revised Code of</p>

		Corporate Governance and respective Board-approved Committee Charters, as well as committee structure, meetings, resources, training and Charter evaluation.
Individual Directors	Individual peer director evaluation using a formal questionnaire is administered and compiled in confidentiality by the Chief Governance Officer. Individual results are advised in private to each Director regarding his individual performance.	Assessment areas cover leadership, interpersonal skills, strategic thinking and participation in Board meetings and Committee assignments.
CEO/President	The Board annually conducts appraisal of the CEO's and COO's performance. The Chief Governance Officer administers the performance evaluation process, tabulates the rating results and summarizes evaluation comments. Evaluation results are submitted to and/or discussed with the CEO, COO, Nomination & Election Committee and Compensation & Remuneration Committee for proper disposition or action.	Key result areas consist of Board-approved financial performance metrics relating to the Company's business and operating objectives, and non-financial metrics covering strategic objectives, governance, internal processes, business development and corporate social responsibility.

20) INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
Director's absence in more than 50% of all regular and special Board meetings within the year, unless due to illness, death	Grounds for disqualification in succeeding election
Non-disclosure of, or unresolved, material or continuing material conflict of interest	Officer & employee - Reprimand &/or suspension of employee Director – Reprimand & grounds for disqualification for board disposition
Trading during block-off periods	Officer & employee - Reprimand &/or suspension; penalty for damages or fines Director – Reprimand; penalty for damages or fines

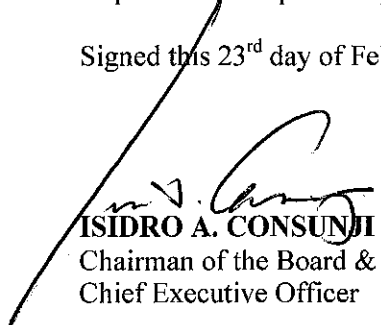
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS**

The management of **SEMIRARA MINING AND POWER CORPORATION** is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed this 23rd day of February 2016.


ISIDRO A. CONSUNJI
Chairman of the Board &
Chief Executive Officer


JUNALINA S. TABOR
Chief Finance Officer

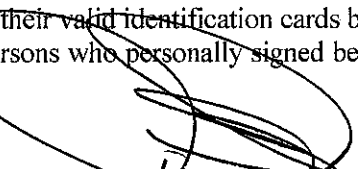
SUBSCRIBED AND SWORN, to before me on this ___ day of **MAR 15 2016** 2016, at Makati City, Metro Manila, affiants exhibited to me:

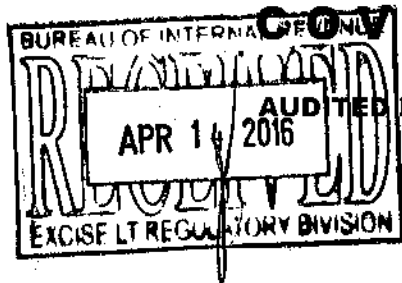
Name	Passport No.	Expiry Date/Place Issued
Isidro A. Consunji	EC4977907	August 10, 2020/DFA, Manila
Junalina S. Tabor	EB9486755	October 30, 2018/DFA NCR Central

who has satisfactory proven to me their identities through their valid identification cards bearing their photographs and signatures, and that they are the same persons who personally signed before me the foregoing and acknowledged that they executed the same.

Doc. No. 412 ;
Page No. 83 ;
Book No. ✓ ;
Series of 2016.




MARIO B. ESPIRITU, JR.
Commission No. M-51
Notary Public for City of Makati
Until December 31, 2017
4th Floor MMP Bldg,
2283 Pasong Tamo Ext. Makati City
PTR No. 0044466 01-06-16 Kawit, Cavite
IBP No. 1019453 01-04-16 Cavite Chapter
MCLR No. V-0010233 09-11-15
Roll No. 39509



COVER SHEET
for
FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 0 9 1 4 4 7

COMPANY NAME

S E M I R A R A M I N I N G A N D P O W E R C O R P
O R A T I O N A N D S U B S I D I A R I E S (f o r m
e r l y S e m i r a r a M i n i n g C o r p o r a t i
o n a n d S u b s i d i a r i e s)

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

2 n d F l o o r , D M C I P l a z a B u i l d i n g
2 2 8 1 P a s o n g T a m o E x t e n s i o n , M
a k a t i C i t y

Form Type

A A F S

Department requiring the report

S E C

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

N/A

Company's Telephone Number

816-7301 to 10

Mobile Number

N/A

No. of Stockholders

677

Annual Meeting (Month / Day)

First Monday of May

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Ms. Junalina S. Tabor

Email Address

jstabor@semirarampc.com

Telephone Number/s

888-3025

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

2nd Floor, DMCI Plaza Building, 2281 Pasong Tamo Extension, Makati City

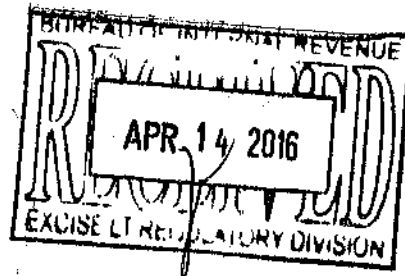
NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Semirara Mining and Power Corporation
2nd Floor, DMCI Plaza Building
2281 Pasong Tamo Extension
Makati City



We have audited the accompanying consolidated financial statements of Semirara Mining and Power Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Semirara Mining and Power Corporation and its subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Cyril Jasman B. Valencia

Cyril Jasman B. Valencia

Partner

CPA Certificate No. 90787

SEC Accreditation No. 1229-AR-1 (Group A),

May 12, 2015, valid until May 11, 2018

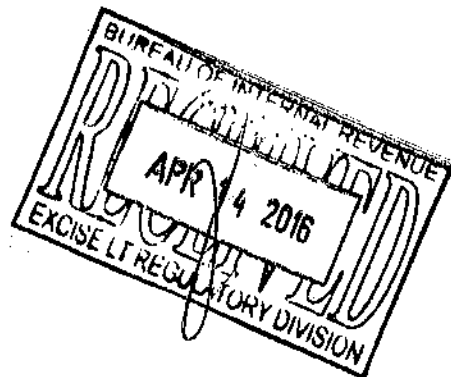
Tax Identification No. 162-410-623

BIR Accreditation No. 08-001998-74-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 5321703, January 4, 2016, Makati City

February 23, 2016



SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
(Formerly Semirara Mining Corporation and Subsidiaries)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 29 and 30)	₱4,745,608,379	₱3,683,125,544
Receivables (Notes 5, 18, 29 and 30)	2,780,770,361	4,127,721,276
Inventories (Notes 6 and 8)	4,382,606,923	2,792,331,113
Investment in sinking fund (Notes 9, 13, 29 and 30)	460,234,017	-
Other current assets (Notes 7 and 28)	2,723,488,856	2,169,449,877
Total Current Assets	15,092,708,536	12,772,627,810
Noncurrent Assets		
Property, plant and equipment (Note 8)	36,742,656,343	34,452,040,736
Investment in sinking fund (Notes 9, 13, 29 and 30)	-	521,780,873
Exploration and evaluation asset (Note 10)	3,015,464,959	1,914,437,638
Deferred tax assets (Note 25)	535,544,818	704,195,424
Other noncurrent assets (Notes 11, 28, 29 and 30)	1,770,662,589	1,536,293,213
Total Noncurrent Assets	42,064,328,709	39,128,747,884
	₱57,157,037,245	₱51,901,375,694
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 14, 18, 29 and 30)	₱7,371,993,321	₱8,805,562,841
Short-term loans (Notes 12, 29 and 30)	2,993,000,994	1,218,753,398
Current portion of long-term debt (Notes 13, 29 and 30)	5,190,727,400	2,113,885,350
Total Current Liabilities	15,555,721,715	12,138,201,589
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 13, 29 and 30)	11,359,881,203	16,088,724,435
Provision for decommissioning and site rehabilitation (Note 15)	513,701,432	175,295,942
Pension liabilities (Note 19)	86,982,778	49,029,893
Other noncurrent liabilities (Notes 11 and 18)	2,739,667,958	743,912,319
Total Noncurrent Liabilities	14,700,233,371	17,056,962,589
Total Liabilities	30,255,955,086	29,195,164,178
Equity		
Capital stock (Notes 16 and 29)	1,068,750,000	1,068,750,000
Additional paid-in capital (Notes 16 and 29)	6,675,527,411	6,675,527,411
Remeasurement losses on pension plan (Notes 19 and 29)	(30,509,775)	(13,471,337)
Retained earnings (Notes 17 and 29)		
Unappropriated	13,887,314,523	12,675,405,442
Appropriated	5,300,000,000	2,300,000,000
Total Equity	26,901,082,159	22,706,211,516
	₱57,157,037,245	₱51,901,375,694

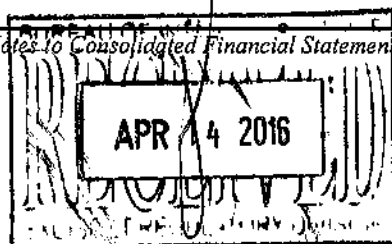
See accompanying Notes to Consolidated Financial Statements.



SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
(Formerly Semirara Mining Corporation and Subsidiaries)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

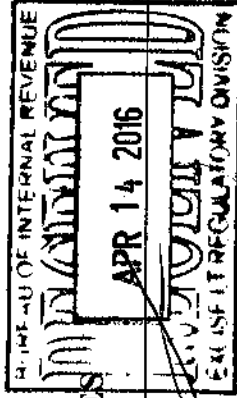
	Years Ended December 31		
	2015	2014	2013
REVENUE (Note 32)			
Coal	P11,781,825,168	P16,276,929,798	P12,573,569,245
Power	12,898,346,411	12,308,411,291	14,757,590,738
	24,680,171,579	28,585,341,089	27,331,159,983
COST OF SALES (Notes 20 and 32)			
Coal	6,387,819,465	10,228,011,439	8,664,871,498
Power	4,154,272,904	8,699,475,102	5,445,624,630
	10,542,092,369	18,927,486,541	14,110,496,128
GROSS PROFIT	14,138,079,210	9,657,854,548	13,220,663,855
OPERATING EXPENSES (Notes 21 and 32)	4,389,084,485	3,220,999,377	5,264,517,633
INCOME FROM OPERATIONS	9,748,994,725	6,436,855,171	7,956,146,222
OTHER INCOME (CHARGES)			
Finance income (Notes 23 and 32)	57,563,749	41,452,768	26,804,566
Finance costs (Notes 22 and 32)	(278,187,914)	(323,228,324)	(381,229,343)
Foreign exchange losses - net (Note 32)	(300,056,178)	(52,140,999)	(481,177,225)
Other income (Notes 24 and 32)	440,678,630	205,488,733	281,208,758
	(80,001,713)	(128,427,822)	(554,393,244)
INCOME BEFORE INCOME TAX	9,668,993,012	6,308,427,349	7,401,752,978
PROVISION FOR (BENEFIT FROM) INCOME TAX (Notes 25 and 32)	1,182,083,931	(552,867,130)	(117,838,304)
NET INCOME	8,486,909,081	6,861,294,479	7,519,591,282
OTHER COMPREHENSIVE INCOME			
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on pension plan (Note 19)	(24,340,625)	(10,849,524)	17,984,320
Income tax effect	7,302,187	3,254,857	(5,395,296)
	(17,038,438)	(7,594,667)	12,589,024
TOTAL COMPREHENSIVE INCOME	P8,469,870,643	P6,853,699,812	P7,532,180,306
Basic/Diluted Earnings per Share (Note 26)	P7.94	P6.42	P7.04

See accompanying Notes to Consolidated Financial Statements.



SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
 (Formerly Semirara Mining Corporation and Subsidiaries)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY



	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Unappropriated Retained Earnings (Note 17)	Appropriated Retained Earnings (Note 17)	Remeasurement Losses on Pension Plan (Note 19)	Total
Balances as of January 1, 2015						
Comprehensive income	₱1,068,750,000	₱6,675,527,411	For the Year Ended December 31, 2015 ₱12,675,405,442	₱2,300,000,000	(₱13,471,337)	₱22,706,211,516
Net income	-	-	8,486,909,081	-	-	8,486,909,081
Other comprehensive loss	-	-	-	-	(17,038,438)	(17,038,438)
Total comprehensive income	-	-	8,486,909,081	-	(17,038,438)	8,469,870,643
Cash dividends declared	-	-	(4,275,000,000)	-	-	(4,275,000,000)
Appropriations	-	-	(3,000,000,000)	3,000,000,000	-	(4,275,000,000)
Balances as of December 31, 2015	₱1,068,750,000	₱6,675,527,411	₱13,887,314,523	₱5,300,000,000	(₱30,509,775)	₱26,901,082,159
Balances as of January 1, 2014						
Comprehensive income	₱356,250,000	₱6,675,527,411	For the Year Ended December 31, 2014 ₱10,801,610,963	₱2,300,000,000	(₱5,876,670)	₱20,127,511,704
Net income	-	-	6,861,294,479	-	-	6,861,294,479
Other comprehensive loss	-	-	-	-	(7,594,667)	(7,594,667)
Total comprehensive income	-	-	6,861,294,479	-	(7,594,667)	6,853,699,812
Stock dividends declared	712,500,000	-	(712,500,000)	-	-	-
Cash dividends declared	-	-	(4,275,000,000)	-	-	(4,275,000,000)
Balances as of December 31, 2014	₱1,068,750,000	₱6,675,527,411	₱12,675,405,442	₱2,300,000,000	(₱13,471,337)	₱22,706,211,516
Balances as of January 1, 2013						
Comprehensive income	₱356,250,000	₱6,675,527,411	For the Year Ended December 31, 2013 ₱9,157,019,681	₱700,000,000	(₱18,465,694)	₱16,870,331,398
Net income	-	-	7,519,591,282	-	-	7,519,591,282
Other comprehensive income	-	-	-	-	12,589,024	12,589,024
Total comprehensive income	-	-	7,519,591,282	-	12,589,024	7,532,180,306
Appropriation	-	-	(1,600,000,000)	1,600,000,000	-	-
Cash dividends declared	-	-	(4,275,000,000)	-	-	(4,275,000,000)
Balances as of December 31, 2013	₱356,250,000	₱6,675,527,411	₱10,801,610,963	₱2,300,000,000	(₱5,876,670)	₱20,127,511,704

See accompanying Notes to Consolidated Financial Statements.



SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
 (Formerly Semirara Mining Corporation and Subsidiaries)

CONSOLIDATED STATEMENTS OF CASH FLOWS

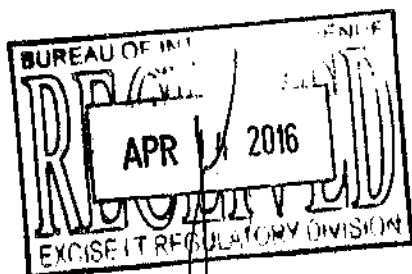
	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P9,668,993,012	P6,308,427,349	P7,401,752,978
Adjustments for:			
Depreciation and amortization (Notes 8, 11, 20 and 21)	1,742,035,951	1,984,125,281	3,852,000,854
Provision for allowance for doubtful accounts (Notes 5, 21 and 24)	925,151,744	-	443,650,080
Net unrealized foreign exchange losses	331,743,560	57,873,085	309,119,279
Finance costs (Note 22)	278,187,914	323,228,324	381,229,343
Provision for (reversal of) allowance for inventory obsolescence (Note 6)	20,902,458	(12,154,784)	4,120,197
Pension expense (Note 19)	19,392,265	17,284,869	19,939,843
Loss on disposal and write-down of property, plant and equipment (Notes 8 and 21)	16,087,500	110,976	449,910,879
Provision for (reversal of) impairment losses (Notes 11, 21 and 24)	(10,683,653)	-	(61,549,364)
Finance income (Note 23)	(57,563,749)	(41,452,768)	(26,804,566)
Gain on sale of equipment (Notes 8 and 24)	(76,461,975)	(336,750)	(135,073)
Operating income before changes in operating assets and liabilities	12,857,785,027	8,637,105,582	12,773,234,450
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	421,890,473	92,816,713	(894,499,145)
Inventories	(1,499,056,144)	1,853,389,992	1,147,739,715
Other current assets	(427,040,042)	(862,837,500)	604,555,167
Increase (decrease) in trade and other payables	386,149,582	2,481,608,982	(635,524,320)
Cash generated from operations	11,739,728,896	12,202,083,769	12,995,505,867
Contributions to the fund (Note 19)	(5,780,005)	(10,749,863)	(6,857,636)
Interest received	57,472,448	41,822,817	26,801,810
Interest paid	(264,564,378)	(299,397,199)	(355,711,778)
Income taxes paid	(842,987,927)	(8,116,083)	(5,074,275)
Net cash provided by operating activities	10,683,869,034	11,925,643,441	12,654,663,988
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (including borrowing cost) (Notes 8 and 31)	(4,467,465,139)	(9,418,691,745)	(8,897,742,645)
Exploration and evaluation asset (Notes 8 and 10)	(566,470,643)	(1,317,485,410)	(298,731,356)
Investment in sinking fund (Note 9)	-	(4,177,649)	(10,812,036)
Computer software (Note 11)	(2,803,293)	(3,318,631)	(4,936,722)
Proceeds from sale of equipment (Note 8)	76,461,975	336,750	135,073
Decrease in investment in sinking fund	61,546,856	-	-
Increase in other noncurrent liabilities (Note 11)	6,237,623	39,075,247	665,407,994
Acquisition of a subsidiary-net of cash acquired (Note 2)	-	-	1,250,000
Decrease (increase) in other noncurrent assets (Note 11)	(223,135,347)	32,997,722	(332,430,801)
Net cash used in investing activities	(5,115,627,968)	(10,671,263,716)	(8,877,860,493)

(Forward)



	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans	P9,884,196,533	P10,357,708,086	P15,522,112,961
Payments of:			
Dividends (Note 17)	(4,275,000,000)	(4,275,000,000)	(4,275,000,000)
Loans	(10,076,979,391)	(8,470,867,131)	(10,748,643,259)
Net cash provided by (used in) financing activities	(4,467,782,858)	(2,388,159,045)	498,469,702
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	(37,975,373)	(2,402,401)	9,643,294
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,062,482,835	(1,136,181,721)	4,284,916,491
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,683,125,544	4,819,307,265	534,390,774
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P4,745,608,379	P3,683,125,544	P4,819,307,265

See accompanying Notes to Consolidated Financial Statements.



SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
(Formerly Semirara Mining Corporation and Subsidiaries)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Semirara Mining and Power Corporation (the Parent Company) is a corporation incorporated in the Philippines on February 26, 1980. The Parent Company's registered and principal office address is at 2nd Floor, DMCI Plaza Building, 2281 Pasong Tamo Extension, Makati City. The Parent Company is 56.32% subsidiary of DMCI Holdings, Inc. (DMCI-HI), a publicly listed entity in the Philippines and its ultimate Parent Company.

The Parent Company and its subsidiaries will be collectively referred herein as "the Group".

The Group's primary purpose is to search for, prospect, explore, dig and drill, mine, exploit, extract, produce, mill, purchase or otherwise acquire, store, hold transport, use experiment with, market, distribute, exchange, sell and otherwise dispose of, import, export and handle, trade, and generally deal in, ship coal, coke, and other coal products of all grades, kinds, forms, descriptions and combinations and in general the products and by-products which may be derived, produced, prepared, developed, compounded, made or manufactured there; to acquire, own, maintain and exercise the rights and privileges under the coal operating contract within the purview of Presidential Decree No. 972, "The Coal Development Act of 1976", and any amendments thereto and to acquire, expand, rehabilitate and maintain power generating plants, develop fuel for generation of electricity and sell electricity to any person or entity through electricity markets among others.

The Parent Company's shares of stock are listed and are currently traded at the Philippine Stock Exchange (PSE).

On August 18, 2014, the Securities and Exchange Commission (SEC) approved the change in the corporate name of Semirara Mining Corporation to "Semirara Mining and Power Corporation". This change was sought to reflect the forward integration of the Parent Company's business as a coal supplier or producer to power generation through its wholly-owned subsidiaries.

The consolidated financial statements as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 were authorized for issue by the Executive Committee of the Board of Directors (BOD) on February 23, 2016.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared using the historical cost basis. The consolidated financial statements are prepared in Philippine Peso (₱), which is also the Parent Company's functional currency. All amounts are rounded off the nearest peso, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).



Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2015 and 2014, and for each of the three years in the period ended December 31, 2015.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group assets and liabilities, equity, income, expenses, dividends and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Non-controlling interests (NCI) pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. NCI represent the portion of profit or loss and net assets in subsidiaries not owned by the Group and are presented separately in consolidated statement of comprehensive income, consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from equity holders' of the Parent Company.

Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests including preferred shares and options under share-based transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.



A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

The consolidated financial statements include the financial statements of the Parent Company and the following wholly-owned subsidiaries (which are all incorporated in the Philippines):

	<u>Effective Percentages of Ownership</u>		
	2015	2014	2013
Sem-Calaca Power Corporation (SCPC)	100.00%	100.00%	100.00%
Southwest Luzon Power Generation Corporation (SLPGC)	100.00	100.00	100.00
SEM-Cal Industrial Park Developers, Inc. (SIPDI)	100.00	100.00	100.00
Semirara Claystone, Inc. (SCI)	100.00	100.00	100.00
Semirara Energy Utilities, Inc. (SEUI)	100.00	100.00	100.00
St. Raphael Power Generation Corporation (SRPGC)	100.00	100.00	100.00
SEM-Balayan Power Generation Corporation (SBPGC)	100.00	100.00	100.00
Sem-Calaca RES Corporation (SCRC)*	100.00	100.00	100.00

*Wholly owned subsidiary of SCPC

Except for SCPC, the Parent Company's subsidiaries have not yet started commercial operations as of December 31, 2015.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any noncontrolling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed in the consolidated statement of comprehensive income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.



Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with Philippine Accounting Standards (PAS) 39 *Financial Instrument - Recognition and Measurement*, either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with PFRS 8, *Operating Segment*.

Where goodwill forms part of a cash generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated statement of comprehensive income.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill or profit or loss is recognized as a result.

Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended standards and improvements to PFRS which the Group has adopted starting January 1, 2015. Unless otherwise indicated, the adoption did not have any significant impact on the financial statements of the Group.

- Amendments to PAS 19, *Defined Benefit Plans: Employee Contributions*
- Annual Improvements to PFRSs 2010 - 2012 Cycle
 - PFRS 2, *Share-based Payment - Definition of Vesting Condition*
 - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*



- PFRS 8, *Operating Segments* - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
- PAS 24, *Related Party Disclosures - Key Management Personnel*
- Annual Improvements to PFRSs 2011 - 2013 Cycle
 - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
 - PFRS 13, *Fair Value Measurement - Portfolio Exception*
 - PAS 40, *Investment Property*

Standards Issued But Not Yet Effective

The Group has not applied the following PFRS, PAS and Philippine Interpretations which are not yet effective as of December 31, 2015. This list consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. Unless otherwise indicated, adoption of these standards and interpretations are not expected to have any significant impact on the financial statements of the Group.

No definite adoption date prescribed by the SEC and Financial Reporting Standards Council (FRSC)

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception (Amendments)*
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests (Amendments)*
- PFRS 14, *Regulatory Deferral Accounts*
- PAS 1, *Presentation of Financial Statements - Disclosure Initiative (Amendments)*
- PAS 16, *Property, Plant and Equipment* and PAS 41, *Agriculture - Bearer Plants*
- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*
- Annual Improvements to PFRSs (2012-2014 cycle)
 - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
 - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
 - PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
 - PAS 19, *Employee Benefits - regional market issue regarding discount rate*
 - PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*

Effective January 1, 2018

- PFRS 9, *Financial Instruments*



In addition, the International Accounting Standards Board (IASB) has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Group is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers* (effective January 1, 2018)
- IFRS 16, *Leases* (effective January 1, 2019)

Significant Accounting Policies and Disclosures

Cash and Cash Equivalents

Cash and cash equivalents in the group consolidated statement of financial position comprise cash in banks and on hand and short-term deposits with an original maturity of three months or less, but excludes any restricted cash that is not available for use by the Group and therefore is not considered highly liquid.

For the purpose of the group consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial Assets and Financial Liabilities

Date of recognition

The Group recognizes a financial asset or a financial liability on the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss (FVPL). Financial assets in the scope of PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) financial assets, or available-for-sale (AFS) financial assets, as appropriate.

Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities.

As of December 31, 2015 and 2014, the Group's financial assets and financial liabilities are of the nature of loans and receivables and other financial liabilities.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

'Day 1' difference

For transactions other than those related to customers' guaranty and other deposits, where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases



where the valuation technique used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. These are included in current assets if maturity is within 12 months from reporting date otherwise, these are classified as noncurrent assets. This accounting policy relates to the consolidated statement of financial position accounts "Cash and cash equivalents", "Receivables", "Investment in sinking fund" and "Environmental guarantee fund" under other noncurrent assets.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR and transaction costs. The amortization is included in "Finance income" in the consolidated statement of comprehensive income.

Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired as well as through amortization process.

Other financial liabilities

Other financial liabilities pertain to issued financial instruments that are not classified or designated as financial liabilities at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Other financial liabilities include trade and other payables, short-term loans and long-term debt. All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, short-term loans and long-term debts are subsequently measured at amortized cost using the EIR method.

Deferred Financing Costs

Deferred financing costs represent debt issue costs arising from the fees incurred to obtain project financing. This is included in the initial measurement of the related debt. The deferred financing costs are treated as a discount on the related debt and are amortized using the EIR method over the term of the related debt.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.



Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, customer type, customer location, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original EIR (i.e., the EIR computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the consolidated statement of comprehensive income during the period in which it arises. Interest income continues to be recognized based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery has been realized and all collateral has been realized or has been transferred to the Group.



If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Instruments

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right to offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Fair Value Measurement

The Group discloses the fair value of financial instruments measured at amortized cost such as loans and receivables and other financial liabilities at each reporting date.



Fair value is the estimated 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale for coal inventory or replacement cost for spare parts and supplies. Cost is determined using the weighted average production cost method for coal inventory and the moving average method for spare parts and supplies.

The cost of extracted coal includes stripping costs and other mine-related costs incurred during the period and allocated on per metric ton basis by dividing the total production cost with total volume of coal produced. Except for shiploading cost, which is a period cost, all other production related costs are charged to production cost.



Spare parts and supplies are usually carried as inventories and are recognized in the consolidated statement of comprehensive income when consumed. Inventories transferred to property, plant and equipment are used as a component of self-constructed property, plant and equipment and are recognized as expense during useful life of that asset. Transfers of inventories to property, plant and equipment do not change the carrying amount of the inventories.

Exploration and Evaluation Asset

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analyzing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

License costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit. Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to consolidated statement of comprehensive income as incurred, unless the Group's management concludes that a future economic benefit is more likely than not to be realized. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalized, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Expenditure is transferred from 'Exploration and evaluation asset' to 'Mine properties' which is included under 'Property, plant and equipment' once the work completed to date supports the future development of the property and such development receives appropriate approvals.

After transfer of the exploration and evaluation asset, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized in 'Mine properties'. Development expenditure is net of proceeds from the sale of ore extracted during the development phase.

Stripping Costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalized as part of the cost of mine properties and subsequently amortized over its useful life using units of production method. The capitalization of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

After the commencement of production further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The costs of such stripping are accounted for in the same way as development stripping (as discussed above).



Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the coal body to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realized in the form of improved access to ore to be mined in the future, the costs are recognized as a noncurrent asset, referred to as a stripping activity asset, if the following criteria are met:

- Future economic benefits (being improved access to the coal body) are probable;
- The component of the coal body for which access will be improved can be accurately identified; and
- The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to the consolidated statement of comprehensive income as operating costs as they are incurred.

In identifying components of the coal body, the Group works closely with the mining operations department for each mining operation to analyze each of the mine plans. Generally, a component will be a subset of the total coal body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the type of commodity, the geological characteristics of the coal body, the geographical location, and/or financial considerations.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of coal body, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the coal body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is included as part of 'Property, plant and equipment' in the consolidated statement of financial position. This forms part of the total investment in the relevant cash generating unit, which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the units of production method over the life of the identified component of the coal body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the coal body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

Mining Reserves

Mining reserves are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. The Group estimates its mining reserves and mineral resources based on information compiled by appropriately qualified persons relating to the



geological data on the size, depth and shape of the coal body, and require complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the coal body. Changes in the reserve or resource estimates may impact the carrying value of exploration and evaluation asset, property, plant and equipment, provision for decommissioning and site rehabilitation and depreciation and amortization charges.

Property, Plant and Equipment

Upon completion of mine construction, the assets are transferred into property, plant and equipment. Items of property, plant and equipment except land are carried at cost less accumulated depreciation and any impairment in value.

The initial cost of property, plant and equipment also comprises its purchase price or construction cost, including non-refundable import duties, taxes, borrowing costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the year when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, and the costs of these items can be measured reliably, the expenditures are capitalized as an additional cost of the property, plant and equipment. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Equipment in transit and construction in progress, included in property, plant and equipment, are stated at cost. Construction in progress includes the cost of the construction of property, plant and equipment and, for qualifying assets, borrowing cost. Equipment in transit includes the acquisition cost of mining equipment and other direct costs.

Mine properties consists of stripping activity asset and expenditures transferred from 'Exploration and evaluation asset' once the work completed supports the future development of the property. Mine properties are depreciated or amortized on a unit-of-production basis over the economically recoverable reserves of the mine concerned. Mine properties are included as part of 'Mining properties, mining tools and other equipment' under 'Property, plant and equipment' in the consolidated statement of financial position.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation of property, plant and equipment commences once the assets are put into operational use.

Depreciation of property, plant and equipment are computed on a straight-line basis over the estimated useful lives (EUL) of the respective assets as follows:

	Years
Mining tools and other equipment	2 to 13
Power plant and buildings	10 to 25
Roads and bridges	17



The EUL and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Land is stated at historical cost less any accumulated impairment losses. Historical cost includes the purchase price and directly attributable costs.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. When assets are retired, or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year the item is derecognized.

Computer Software

Computer software, included under "Other noncurrent assets", is measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. Computer software is carried at cost less any accumulated amortization on a straight line basis over their useful lives of three (3) to five (5) years and any impairment in value.

Amortization of computer software is recognized under the "Cost of sales" in the consolidated statement of comprehensive income.

Gains or losses arising from derecognition of computer software are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that its nonfinancial assets (e.g., inventories, input VAT, property, plant and equipment and computer software) may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

Inventories

NRV tests are performed at least annually and represent the estimated sales price based on prevailing price at reporting date, less estimated cost necessary to make the sale for coal inventory or replacement costs for spare parts and supplies. If there is any objective evidence that the inventories are impaired, impairment losses are recognized in the consolidated statement of comprehensive income, in those expense categories consistent with the function of the assets, as being the difference between the cost and NRV of inventories.

Exploration and evaluation assets

Exploration and evaluation assets should be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Under PFRS 6 one or more of the following facts and circumstances could indicate that an impairment test is required. The list is not intended to be exhaustive: (a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and (d) sufficient data exist to indicate that,



although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Property, plant and equipment and computer software

An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

For property, plant and equipment, reversal is recognized in the consolidated statement of comprehensive income. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized



in the consolidated statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales of the consolidated statement of comprehensive income. During the period of development, the asset is tested for impairment annually.

The Group has assessed the useful life of the development costs based on the expected usage of the asset. The useful life of capitalized development costs is twenty (20) years.

Input Value-Added Taxes (VAT)

Input tax represents the VAT due or paid on purchases of goods and services subjected to VAT that the Group can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT on sale of goods and services subjected to VAT. The input tax can also be recovered as tax credit under certain circumstances against future income tax liability of the Group upon approval of the BIR and/or Bureau of Customs. Input tax is stated at its estimated net realizable values. A valuation allowance is provided for any portion of the input tax that cannot be claimed against output tax or recovered as tax credit against future income tax liability. Input tax is recorded under current and noncurrent assets in the consolidated statement of financial position.

Other Assets

Other assets pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group.



Current and Noncurrent Classification

The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification. An asset is current when:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after reporting date; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of coal

Revenue from coal sales is recognized upon acceptance of the goods delivered when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue from local and export coal sales are denominated in Philippine Peso and US Dollar, respectively.

Contract energy sales

Revenue from contract energy sales are derived from providing and selling electricity to customers of the generated and purchased electricity. Revenue is recognized based on the actual energy received or actual energy nominated by the customer, net of adjustments, as agreed upon between parties.

Spot electricity sales

Revenue from spot electricity sales derived from the sale to the spot market of excess generated electricity over the contracted energy using price determined by the spot market, also known as Wholesale Electricity Spot Market (WESM), the market where electricity is traded, as mandated by Republic Act (RA) No. 9136 of the Department of Energy (DOE).



Finance income

Finance income is recognized as it accrues (using the EIR method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets).

Cost of Sales

Cost of coal

Cost of coal includes directly related production costs such as cost of fuel and lubricants, materials and supplies, depreciation and other related costs. These costs are recognized when incurred.

Cost of power

Cost of power includes costs directly related to the production and sale of electricity such as cost of coal, fuel, depreciation and other related costs. Cost of coal and fuel are recognized at the time the related coal and fuel inventories are consumed for the production of electricity. Cost of power also includes electricity purchased from the spot market and its related market fees. These costs are recognized when the Group receives the electricity and simultaneously sells to its customers.

Operating Expenses

Operating expenses are expenses that arise in the course of the ordinary operations of the Group. These usually take the form of an outflow or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distribution to equity participants. Expenses are recognized in the consolidated statement of comprehensive income as incurred.

Borrowing Costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalized and added to the project cost during construction until such time the assets are considered substantially ready for their intended use i.e., when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where surplus funds are available for a short term, out of money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalized and deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognized in the consolidated statement of comprehensive income in the period in which they are incurred.

Pension Costs

The Group has a noncontributory defined benefit plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit liability at the end of reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.



Defined benefit costs comprise the following:

- Service costs
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to consolidated statement of comprehensive income in subsequent periods. All remeasurements recognized in OCI account "Remeasurement gains (losses) on pension plan" are not reclassified to another equity account in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related liabilities). If the fair value of the plan assets is higher than the present value of the defined benefit liability, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit liability is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.



Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly within twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of reporting date.

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at reporting date.

Current income tax relating to items recognized in equity is recognized in equity and not in the statement of comprehensive income.

Deferred tax

Deferred tax is provided on all temporary differences, with certain exceptions, at reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO can be utilized.

Deferred tax assets are not recognized when they arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting income nor taxable income or loss. Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantially enacted at financial reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transactions either in OCI or directly in equity.

Provisions

Provisions are recognized only when the Group has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the



amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provision for decommissioning and site rehabilitation

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statements of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of comprehensive income.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. It requires consideration as to whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset;
or
- d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of the renewal or extension period for scenario (b).

A lease is classified as an operating lease if it does not transfer substantially all of the risks and rewards incidental to ownership. Operating lease payments are recognized in cost of coal sales under "Outside services" in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Foreign Currency-denominated Transactions and Translation

The group financial statements are presented in Philippine peso, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional



currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate at reporting date. All differences are taken to the consolidated statement of comprehensive income.

Equity

The Group records common stocks at par value and amount of contribution in excess of par value is accounted for as an additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Retained earnings represent accumulated earnings of the Group less dividends declared, if any. Dividends on common stocks are recognized as a liability and deducted from equity when they are declared. Dividends for the year that are approved after reporting date are dealt with as an event after reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Earnings per Share (EPS)

Basic EPS is computed by dividing the net income for the year attributable to common shareholders (net income less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted EPS assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted EPS is presented.

Operating Segments

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group generally accounts for intersegment revenues and expenses at agreed transfer prices. Income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of income after taxes. Financial information on operating segments is presented in Note 32 to the consolidated financial statements.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events after Reporting Date

Post year-end events up to the date of the auditors' report that provides additional information about the Group's position at reporting date (adjusting events) are reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed when material to the consolidated financial statements.



3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the accompanying consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgment

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the consolidated financial statements:

a. Determining functional currency

The functional currency for the parent entity, each of its subsidiaries and joint ventures, is the currency of the primary economic environment in which the entity operates. The parent entity has determined the functional currency of each entity is the Philippine Peso. Determination of functional currency may involve certain judgments to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

b. Operating lease commitments - the Group as lessee

The Group has entered into various contract of lease for office space, equipment and land. The Group has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Group considered the substance of the transaction rather than the form of the contract (see Note 28).

c. Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

d. Stripping costs

The Group incurs waste removal costs (stripping costs) during the development and production phases of its surface mining operations. During the production phase, stripping costs (production stripping costs) can be incurred both in relation to the production of inventory in that period and the creation of improved access and mining flexibility in relation to ore to be mined in the future. The former are included as part of the costs of inventory, while the latter are capitalized as a stripping activity asset, where certain criteria are met. Significant judgment is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and what relates to the creation of a stripping activity asset.

Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the coal bodies for each of its mining operations. An identifiable component is a specific volume of the coal body that is made more accessible by the stripping activity. Significant judgment is required to identify and define these components, and also to determine the expected volumes of waste to be stripped and coal body to be mined in each of these components. These assessments are undertaken for each



individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the coal body, the geographical location and/or financial considerations.

Judgment is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of the coal body, is the most suitable production measure. Furthermore, judgments and estimates are also used to apply the units of production method in determining the depreciable lives of the stripping activity asset.

e. Contingencies

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on its current financial position and results of operations. It is possible, however, that future results of operations and financial position could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 28).

Management's Use of Estimates and Assumptions

The key assumptions concerning the future and other sources of estimation uncertainty at reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. Revenue recognition

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of the revenues and receivables.

The Group's coal sales arrangement with its customers includes reductions of invoice price to take into consideration charges for penalties and upward adjustments due to quality of coal. These price adjustments may arise from the actual quantity and quality of delivered coal.

There is no assurance that the use of estimates may not result in material adjustments in future periods.

b. Estimating allowance for doubtful accounts

The Group maintains an allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to debtors' ability to pay all amounts due according to the contractual terms of the receivables being evaluated, historical experience and any regulatory actions. The Group regularly performs a review of the age and status of receivables and identifies accounts that are to be provided with allowance.

The amount and timing of recorded impairment loss for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for doubtful accounts would increase the recorded operating expenses and decrease the current assets.



The above assessment resulted to an additional allowance of ₱925.15 million in 2015 and nil in 2014.

The allowance for doubtful accounts for receivables is disclosed in Note 5.

c. Estimating stock pile inventory quantities

The Group estimates the stock pile inventory by conducting a topographic survey which is performed by in-house surveyors and third-party surveyors. The survey is conducted on a monthly basis with a reconfirmatory survey at year end. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus 5%. Thus, an increase or decrease in the estimation threshold for any period would differ if the Group utilized different estimates and this would either increase or decrease the profit for the year.

The amount of coal pile inventory is disclosed in Note 6.

d. Estimating allowance for obsolescence in spare parts and supplies

The Group estimates its allowance for inventory obsolescence in spare parts and supplies based on periodic specific identification. The Group provides 100% allowance for obsolescence on items that are specifically identified as obsolete.

The amount and timing of recorded inventory obsolescence for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for inventory obsolescence would increase the Group's recorded operating expenses and decrease its current assets.

The carrying amount of spare parts and supplies is disclosed in Note 6.

e. Estimating development costs

Development costs are capitalized in accordance with the accounting policy. Initial capitalization of costs is based on management's judgment that technological and economical feasibility is confirmed. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

Capitalized development costs are disclosed in Note 11.

f. Estimating decommissioning and site rehabilitation costs

The Group is legally required to fulfill certain obligations under its Department of Environment and Natural Resources (DENR) issued Environmental Compliance Certificate when its activities has ended in the depleted mine pits. The Group also provides for decommissioning cost for the future clean-up of its power plant under Section 8 of the Land Lease Agreement upon its termination or cancellation. Significant estimates and assumptions are made in determining the provision for decommissioning and site rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. An increase in decommissioning and site rehabilitation costs would increase the carrying amount of the related assets and increase noncurrent liabilities. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.



The estimated provision for decommissioning and site rehabilitation is disclosed in Note 15.

- g. *Estimating useful lives of property, plant and equipment and computer software (except land)*
The Group estimated the useful lives of its property, plant and equipment and computer software based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property, plant and equipment and computer software based on factors that include asset utilization, internal technical evaluation, and technological changes, environmental and anticipated use of the assets.

It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

In 2013, management has determined that components of its Unit II of its power plant will have to be dismantled and repaired in the first quarter of 2014. These components have original remaining lives of 2-15 years in the books. Because of the planned activity, management has accelerated the depreciation of these components and recognized an additional depreciation of ₱1.11 billion in 2013.

The carrying values of the property, plant and equipment and computer software are disclosed in Notes 8 and 11, respectively.

- h. *Estimating impairment for nonfinancial assets*
The Group assesses impairment on property, plant and equipment, computer software and input VAT withheld whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the assets fair value and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

The carrying values of the property, plant and equipment, computer software and input VAT withheld are disclosed in Notes 7, 8 and 11, respectively.

- i. *Deferred tax assets*
The Group reviews the carrying amounts of deferred tax assets at each reporting date. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Group will generate taxable earnings in future periods and in reference to its income tax holiday status in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ



significantly from estimates, the ability of the Group to realize the net deferred tax assets recorded at reporting date could be impacted.

In 2015 and 2014, the Group has various deductible temporary differences and NOLCO for which deferred tax assets are not recognized (see Note 25).

j. Estimating pension and other employee benefits

The cost of defined benefit pension plan and the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These assumptions are described in Note 19 and include among others, the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit liability. Future salary increases are based on expected future inflation rates and other relevant factors.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

4. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash on hand and in banks	₱1,845,316,200	₱1,523,452,817
Cash equivalents	2,900,292,179	2,159,672,727
	<u>₱4,745,608,379</u>	<u>₱3,683,125,544</u>

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents include short-term placements made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective prevailing short-term placement rates ranging from 0.75% to 2.50% and 1.00% to 2.75% in 2015 and 2014, respectively.

In 2015, 2014 and 2013, total interest income earned from cash and cash equivalents amounted to ₱47.89 million, ₱34.33 million and ₱13.77 million, respectively (see Note 23).



5. **Receivables**

This account consists of:

	2015	2014
Trade receivables - outside parties	₱4,056,410,128	₱4,469,520,513
Trade receivables - related parties (Note 18)	68,830,272	67,121,866
Others	83,670,947	94,068,138
	4,208,911,347	4,630,710,517
Less allowance for doubtful accounts	1,428,140,986	502,989,241
	₱2,780,770,361	₱4,127,721,276

Trade receivables - outside parties

These are receivables from electricity sales and coal sales. Receivables from electricity sales are claims from power distribution utilities, spot market operator and other customers for the sale of contracted energy and spot sales transactions. This also includes advances to Philippine Electricity Market Corporation (PEMC) for the adjustment of bills amounting to ₱533.72 million and ₱196.58 million as of December 31, 2015 and 2014, respectively. These are generally on a 30-day credit term and are carried at original invoice amounts less discounts and rebates.

Receivables from coal sales are noninterest-bearing and generally have 30 to 45 day credit terms. These receivables arise from:

- Export sales for coal sold to international market which are priced in US Dollar.
- Local sales for coal sold to domestic market which are priced in Philippine Peso.

Trade receivables - related parties

Receivables from related parties are noninterest-bearing and collectible over a period of one year.

Others

Others include advances to site contractors, officers, employees and receivable from sale of fly ashes. These are generally non-interest bearing.

Movements in the allowance for doubtful accounts are as follows:

	2015		
	Trade receivables - outside parties	Others	Total
At January 1	₱497,173,882	₱5,815,359	₱502,989,241
Provision (Note 21)	925,151,745	-	925,151,745
At December 31	₱1,422,325,627	₱5,815,359	₱1,428,140,986

	2014		
	Trade receivables - outside parties	Others	Total
At January 1	₱497,173,882	₱5,815,359	₱502,989,241
Provision (Note 21)	-	-	-
At December 31	₱497,173,882	₱5,815,359	₱502,989,241



Provision for doubtful accounts is included in the "Operating Expenses" in the consolidated statements of comprehensive income (see Note 21).

6. Inventories

This account consists of:

	2015	2014
Spare parts and supplies at NRV	₱2,734,982,148	₱2,240,860,599
Coal pile inventory at cost	1,647,624,775	551,470,514
	₱4,382,606,923	₱2,792,331,113

Coal pile inventory are stated at cost, which is lower than NRV. The cost of coal inventories recognized as cost of sales in the consolidated statements of comprehensive income amounted to ₱6.18 billion, ₱9.79 billion and ₱8.21 billion for each of the three years ended December 31, 2015, 2014 and 2013, respectively (see Note 20).

Coal pile inventory at cost included capitalized depreciation of ₱112.12 million and ₱39.11 million in 2015 and 2014, respectively (see Note 8).

The rollforward analysis for inventory obsolescence follows:

	2015	2014
Beginning balance	₱45,252,338	₱57,407,122
Provision for the year (Note 21)	20,902,458	-
Reversal during the year	-	(12,154,784)
Ending balance	₱66,154,796	₱45,252,338

7. Other Current Assets

This account consists of:

	2015	2014
Advances to suppliers (Note 18)	₱1,452,584,075	₱836,286,751
Input value-added tax (VAT)	790,488,345	762,482,193
Creditable withholding tax	441,037,255	514,561,071
Prepaid insurance	11,327,741	16,326,140
Prepaid rent (Notes 11 and 28)	4,553,004	4,544,839
Others	23,498,436	35,248,883
	₱2,723,488,856	₱2,169,449,877

Advances to suppliers

Advances to suppliers account represent payments made in advance for the construction in progress and acquisition of materials and supplies. These advances are applied against supplier billing which normally occurs within one year from the date the advances have been made.



Input VAT

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is applied against output VAT. The balance is recoverable in future periods.

Creditable withholding tax

Creditable withholding tax pertains to the amount withheld by the Group's customers from their income payment. This will be claimed as tax credit and will be used against future income tax payable.

Others

Others include prepayments on insurance and other charges.

8. Property, Plant and Equipment

The rollforward of this account follows:

	2015					Total
	Land	Mine Properties, Mining, Tools and Other Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	
Cost						
At January 1	₱376,811,469	₱16,926,630,972	₱21,490,788,294	₱827,359,725	₱17,625,557,933	₱57,247,148,393
Additions (Note 15)	-	2,091,545,869	594,705,103	-	2,010,840,433	4,697,091,405
Transfers from Construction in Progress	-	15,652,414	257,530,669	-	(273,183,083)	-
Disposals (Notes 21 and 24)	-	(813,190,874)	-	-	-	(813,190,874)
Adjustment (Note 15)	-	56,992,919	-	-	(60,919,381)	(3,926,462)
At December 31	376,811,469	18,277,631,300	22,343,024,066	827,359,725	19,302,295,902	61,127,122,462
Accumulated Depreciation						
At January 1	-	15,509,188,220	6,931,383,761	354,535,676	-	22,795,107,657
Depreciation (Notes 20 and 21)	-	1,256,393,922	1,075,238,200	54,829,714	-	2,386,461,836
Disposals (Notes 21 and 24)	-	(797,103,374)	-	-	-	(797,103,374)
At December 31	-	15,968,478,768	8,006,621,961	409,365,390	-	24,384,466,119
Net Book Value	₱376,811,469	₱2,309,152,532	₱14,336,402,105	₱417,994,335	₱19,302,295,902	₱36,742,656,343

	2014					Total
	Land	Mine Properties, Mining, Tools and Other Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	
Cost						
At January 1	₱376,811,469	₱15,937,192,050	₱19,998,004,168	₱827,359,725	₱10,810,074,116	₱47,949,441,528
Additions	-	1,110,423,802	63,933,040	-	8,244,334,903	9,418,691,745
Transfers from Construction in Progress	-	-	1,428,851,086	-	(1,428,851,086)	-
Disposals (Notes 21 and 24)	-	(102,475,004)	-	-	-	(102,475,004)
Adjustment (Note 15)	-	(18,509,876)	-	-	-	(18,509,876)
At December 31	376,811,469	16,926,630,972	21,490,788,294	827,359,725	17,625,557,933	57,247,148,393
Accumulated Depreciation						
At January 1	-	14,452,733,939	5,910,845,803	299,705,962	-	20,663,285,704
Depreciation (Notes 20 and 21)	-	1,158,818,309	1,020,537,958	54,829,714	-	2,234,185,981
Disposals (Notes 21 and 24)	-	(102,364,028)	-	-	-	(102,364,028)
At December 31	-	15,509,188,220	6,931,383,761	354,535,676	-	22,795,107,657
Net Book Value	₱376,811,469	₱1,417,442,752	₱14,559,404,533	₱472,824,049	₱17,625,557,933	₱34,452,040,736

Equipment in transit and construction in progress accounts mostly pertain to purchased mining equipment that are in transit and various buildings and structures that are under construction as of December 31, 2015 and 2014.



In 2014, construction in progress includes capitalized rehabilitation costs for Unit 2 of SCPC's power plant and construction of SLPGC's 2 x 150 megawatt (MW) coal-fired thermal power plant. The rehabilitation of Unit 2 of SCPC power plant was completed in August 2014. In 2015, construction in progress mostly pertains to SLPGC's on-going construction of coal-fired thermal power plant.

The construction of SLPGC's coal-fired power plant commenced in the early part of 2012. As of December 31, 2015, the power plant is under commissioning stage and is expected to commence commercial operations in the third quarter of 2016.

The capitalized borrowing cost included in the construction in progress account amounted to ₱451.31 million and ₱333.84 million on December 31, 2015 and 2014, respectively. The average capitalization rate is 4.08% and 3.18% in 2015 and 2014 (see Note 13).

Decommissioning costs are included in the respective assets. The impact of annual re-estimation is shown in the rollforward as an adjustment (see Note 15).

In 2015, 2014 and 2013, the Group sold various equipment at a gain amounting to ₱76.46 million, ₱0.34 million and ₱0.14 million, respectively (see Note 24).

The Group incurred a loss from property, plant and equipment write-down due to the replacement of generation units and retirement of mining equipment amounted to ₱16.09 million, ₱0.11 million and ₱449.91 million in 2015, 2014 and 2013, respectively (see Note 21).

The cost of fully depreciated assets that are still in use amounted to ₱11.60 billion and ₱11.09 billion as of December 31, 2015 and 2014, respectively.

As security for timely payment, discharge, observance and performance of the loan provisions, SCPC creates, establishes, and constitutes in favor of the Security Trustee, for the benefit of all secured parties, a first ranking real estate and chattel mortgage on present and future real assets and chattels owned by SCPC. The carrying values of these mortgaged assets amounted to ₱14.86 billion and ₱14.88 billion as of December 31, 2015 and 2014, respectively.

As security for timely payment, discharge, observance and performance of the loan provisions, SLPGC creates, establishes, and constitutes in favor of the Security Trustee, for the benefit of all secured parties, a first ranking real estate and chattel mortgage on present and future real assets and chattels owned by SLPGC. The carrying values of these mortgaged assets amounted to ₱17.45 billion and ₱16.02 billion as of December 31, 2015 and 2014, respectively.



Depreciation and amortization follow:

	2015	2014	2013
Included under:			
Inventories (Note 6)	P112,122,124	P39,109,356	P121,831,125
Exploration and evaluation asset (Note 10)	382,953,462	64,703,005	49,421,284
Cost of coal sales (Note 20):			
Depreciation and amortization	519,842,448	822,278,521	1,114,654,804
Hauling and shiploading costs	32,253,172	70,017,097	65,215,174
Cost of power sales (Note 20):			
Cost of coal			
Depreciation and amortization	291,951,404	262,866,200	470,558,388
Hauling and shiploading costs	-	-	23,554,054
Depreciation	1,006,345,938	926,330,083	1,015,838,969
Operating expenses (Note 21)	43,246,105	51,655,398	1,162,179,465
	P2,388,714,653	P2,236,959,660	P4,023,253,263
Depreciation and amortization of:			
Property, plant and equipment (Note 8)	P2,386,461,836	P2,234,185,981	P4,019,619,703
Computer software (Note 11)	2,252,917	2,773,679	3,633,560
	P2,388,714,753	P2,236,959,660	P4,023,253,263

9. Investment in Sinking Fund

In a special meeting of the BOD of the SCPC held on March 9, 2010, the BOD authorized the SCPC to establish, maintain, and operate trust and investment management accounts with Banco de Oro Unibank, Inc. (BDO) - Trust and Investment Group. The Omnibus Agreement (see Note 13) provided that the Security Trustee shall invest and reinvest the monies on deposit in Collateral Accounts. All investments made shall be in the name of the Security Trustee and for the benefit of the Collateral Accounts. BDO Unibank, Inc. - Trust and Investment Group made an investment in Sinking Fund amounting P460.23 million and P521.78 million as of December 31, 2015 and 2014, respectively. Such sinking fund was reclassified to current asset because of the planned prepayment of loan to which the account is attached.

Interest from sinking fund amounted to P8.99 million and P6.67 million in 2015 and 2014, respectively (see Note 23).

10. Exploration and Evaluation Asset

	2015	2014
At January 1	P1,914,437,638	P348,152,638
Addition	1,101,027,321	1,566,285,000
At December 31	P3,015,464,959	P1,914,437,638

These costs are related to exploratory drilling and activities in Narra minesite (formerly Bobog minesite). This mine site is situated around one kilometer away from the current active Panian mine. Expected coal release is on the last quarter of 2016 with an estimated initial production of 1.50 million metric tons based on the most recent 5-year mine plan, using the in-house estimate of recoverable coal reserve of 40.00 million metric tons. The Third Party-Mining Engineer's report dated December 29, 2014 showed mineable reserve of 71 million metric tons with recoverable coal reserve of 64 million metric tons, after superimposing an optimum pit over the existing coal resources delineated at Narra by extensive drilling.



11. Other Noncurrent Assets and Other Noncurrent Liabilities

Other Noncurrent Assets

	2015	2014
Input VAT	₱1,371,371,326	₱1,173,397,202
Claims for refunds and tax credits - net	175,208,925	164,526,094
Capitalized development costs for clay business	128,170,838	98,486,533
Prepaid rent (Note 28)	85,422,305	89,936,396
Computer software - net	4,776,257	4,225,881
Environmental guarantee fund (Notes 29 and 30)	1,500,000	1,500,000
Others	8,765,942	8,765,946
	1,775,215,593	1,540,838,052
Less current portion of prepaid rent (Note 7)	4,553,004	4,544,839
	₱1,770,662,589	₱1,536,293,213

Input VAT

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is applied against output VAT. The noncurrent portion of input VAT pertains to the unamortized portion of input VAT on purchase of capital goods spread evenly between the life of the capital goods or five years, whichever is lower. The balance is recoverable in future periods.

Claims for refunds and tax credits

This amount pertain to claims for refund and issuance of tax credit certificates from BIR on erroneously withheld VAT on VAT-exempt coal sales which were ruled by the Supreme Court in favor of the Group.

In 2015, the Parent Company reassessed the level of allowance for impairment and reversed ₱10.68 million on the basis that the SC GR Case No. 202534 (₱15.29 million VAT which was erroneously withheld by National Power Corporation (NPC) for the month of January 2007) is the remaining open case and the other claims for refund were already decided in favor of the Parent Company. This resulted to a reversal of ₱10.68 million provision for impairment losses reflected as "Other income" in the consolidated statements of comprehensive income in 2015 (see Note 24).

Movements in allowance for impairment losses of the 5% input VAT withheld:

	2015	2014
At January 1	₱25,975,708	₱25,975,708
Reversal (Note 24)	10,683,653	-
At December 31	₱15,292,055	₱25,975,708

Capitalized development costs for clay business

In 2015 and 2014 SCI has capitalized development expenditures amounting to ₱33.70 million and ₱98.47 million, respectively. Development costs for goods, commodities, wares and merchandise including potter earthenware, stoneware, bricks, tiles, roofs and other merchandise produce from clay are recognized as an intangible asset.



Prepaid rent

Prepaid rent under other noncurrent assets pertain to the long-term portion of rent of SCPC to PSALM on December 2, 2009 for the 25 years lease of land. Long-term portion of the prepaid rent amounted to ₱80.87 million and ₱85.39 million in 2015 and 2014, respectively (see Note 28).

Computer software

Movements in computer software account follow:

	2015	2014
At Cost		
At January 1	₱33,103,090	₱29,784,459
Additions	2,803,293	3,318,631
At December 31	35,906,383	33,103,090
Accumulated Amortization		
At January 1	28,877,209	26,103,530
Amortization (Note 8)	2,252,917	2,773,679
At December 31	31,130,126	28,877,209
Net Book Value	₱4,776,257	₱4,225,881

Environmental guarantee fund

Environmental guarantee fund represents the funds designated to cover all costs attendant to the operation of the Multi-partite Monitoring Team of the Group's environmental unit.

Others

Others include various types of deposits and prepaid taxes which are recoverable over more than one year.

Other Noncurrent Liabilities

Other noncurrent liabilities pertain to the retention contract payment that is being withheld from the contractors as guaranty for any claims against them. As of December 31, 2015 and 2014, retention payable amounted to ₱2.74 billion and ₱743.91 million, respectively (see Note 18).

12. Short-term Loans

Short-term loans represent various unsecured promissory notes from local banks with interest rates ranging from 1.20% to 2.50% and 1.13% to 2.50% in 2015 and 2014, respectively, and are payable within one year.

The carrying amount of these short-term loans as of December 31, 2015 and 2014 amounted to ₱2.99 billion and ₱1.22 billion, respectively.

The interest expense on these short-term loans recognized under "Finance cost" amounted to ₱57.99 million, ₱63.34 million and ₱58.04 million in 2015, 2014 and 2013, respectively (see Note 22).



13. Long-term Debt

This account consists of long-term debt availed by the Group as follows:

	2015	2014
Mortgage payable	₱13,334,874,205	₱14,268,877,410
Bank loans	3,215,734,398	3,933,732,375
	16,550,608,603	18,202,609,785
Less current portion of:		
Mortgage payable	3,224,034,097	1,903,701,350
Bank loans	1,966,693,303	210,184,000
	5,190,727,400	2,113,885,350
	₱11,359,881,203	₱16,088,724,435

Mortgage Payable

SLPGC

On February 4, 2012, SLPGC entered into an ₱11.50 billion Omnibus Loan Service Agreement with BDO Unibank, Bank of the Philippine Island (BPI) and China Banking Corporation (CBC) as Lenders. As security for the timely payment of the loan and prompt observance of all the provision of the Omnibus Agreement, the 67% of issued and outstanding shares of SLPGC owned by the Parent Company were pledged on this loan. The proceeds of the loan are used for the engineering, procurement and construction of 2x150 MW coal-fired thermal power plant.

Breakdown of the original principal of syndicated loan is as follows:

BDO	₱6,000,000,000
BPI	3,000,000,000
CBC	2,500,000,000
	₱11,500,000,000

Details of the loan follow:

- a. Interest: At applicable interest rate (PDST-F + Spread or BSP Overnight Rate, whichever is higher). Such interest shall accrue from and including the first day of each interest period up to the last day of such interest period. The Facility Agent shall notify all the Lenders of any adjustment in an interest payment date at least three banking days prior to the adjusted interest payment date.
- b. Repayment: The principal amount shall be paid in twenty-seven equal consecutive quarterly installments commencing on the fourteenth quarter from the initial borrowing date. Final repayment date is ten (10) years after initial borrowing.

The loan had its first drawdown schedule on May 24, 2012 amounting to ₱550.00 million. In 2013, second and third drawdowns were made which amounted to ₱5.15 billion. In 2014, fourth to seventh drawdowns were made which amounted to ₱4.79 billion. In 2015, the eighth and final drawdown was made amounting to ₱1.01 billion, bringing the total to ₱11.50 billion. As of December 31, 2015 and 2014, outstanding loan payable is ₱11.13 billion and ₱10.06 billion, respectively.



Rollforward of the deferred financing cost follows:

	2015	2014
At January 1	₱42,558,302	₱25,936,242
Additions	5,056,860	23,935,952
Amortization	(10,655,954)	(7,313,892)
At December 31	<u>₱36,959,208</u>	<u>₱42,558,302</u>

Mortgage payable by SLPGC provide certain restrictions and requirements with respect to, among others, maintain and preserve its corporate existence, comply with all of its material obligations under the project agreements, maintain at each testing date a Debt-to-Equity ratio not exceeding two times, grant loans or make advances and disposal of major property. These restrictions and requirements were complied with by SLPGC as of December 31, 2015 and 2014.

Provision in the loan indicates that the borrower shall pay to the lenders, a commitment fee equivalent to one-half (1/2)% per annum of any portion of a scheduled drawdown amount that remains undrawn after the lapse of the relevant scheduled drawdown. As of December 31, 2015 and 2014, SLPGC has paid commitment fee amounting to ₱1.31 million and ₱4.88 million, respectively and these were recognized under the "Finance costs" account in the consolidated statements of comprehensive income.

SCPC

On May 20, 2010, SCPC entered into a ₱9.60 billion Omnibus Loan Security Agreement ("Agreement") with BDO, BPI and Philippine National Bank (PNB) as Lenders, the Parent Company as Pledgor, BDO Capital and Investment Corporation as Lead Arranger and Sole Bookrunner, BPI Capital Corporation and PNB Capital and Investment Corp. as Arrangers, and BDO Unibank, Inc., Trust and Investments Group as Security Trustee, Facility Agent and Paying Agent. The loan was fully drawn by SCPC on the same date.

Mortgage payable by SCPC was collateralized by all monies in the Collateral accounts, supply receivables, proceeds of any asset and business continuity insurance, project agreements and first-ranking mortgage on present and future real assets. Further, 67% of issued and outstanding shares in SCPC owned by the Parent Company were also pledged on this loan.

Breakdown of the original principal of syndicated loan is as follows:

BDO Unibank	₱6,000,000,000
BPI	2,000,000,000
PNB	1,600,000,000
	<u>₱9,600,000,000</u>

The Agreement was entered into to finance the payments made to PSALM pursuant to the Asset Purchase Agreement (APA) and Land Leased Agreement (LLA), and ongoing plant rehabilitation and capital expenditures.

Details of the loan follow:

- a. Interest: At a floating rate per annum equivalent to the three (3) months Philippine Dealing System Treasury-Fixing (PDST-F) benchmark yield for treasury securities as published on the PDEX page of Bloomberg (or such successor electronic service provider) at approximately 11:30a.m. (Manila Time) on the banking day immediately preceding the date of initial



borrowing or start of each interest period, as applicable, plus a spread of 175 basis points. Starting August 2015 amortization, interest is at floating rate per annum equivalent to three (3) months Philippine Dealing System Treasury Reference Rate PM (PDST-R2), plus a spread of 195 basis points.

- b. Repayment: The principal amount shall be payable in twenty-five (25) equal consecutive quarterly installments commencing on the twelfth month from the initial borrowing date. Final repayment date is seven (7) years after initial borrowing. The loan may be prepaid voluntarily provided the conditions in the Omnibus Agreement are satisfied.

Rollforward of the deferred financing cost follows:

	2015	2014
At January 1	₱17,191,598	₱33,552,454
Amortization (Note 22)	(10,950,937)	(16,360,856)
At December 31	₱6,240,661	₱17,191,598

Amortization of debt finance cost recognized under "Finance cost" account in the consolidated statements of comprehensive income amounted to ₱10.95 million, ₱16.36 million and ₱21.75 million for the years 2015, 2014 and 2013, respectively (see Note 22).

In 2015 and 2014, the SCPC incurred interest expense on long-term debt amounting to ₱124.49 million and ₱143.20 million, respectively (see Note 22).

As of December 31, 2015 and 2014, outstanding loan payable is ₱2.30 billion and ₱3.82 billion, respectively.

As of December 31, 2015, there is no more available borrowing facility that can be drawn.

Local Bank Loans

Parent Company

Loan Type	Date of Availment	Outstanding Balance		Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		2015	2014				
Dollar loan 1	2013	P--	₱474,345,624	2015	Floating rate, aggregate of the margin (1.20%) and LIBOR, to be repriced every 3months to 6months	Interest payable in arrears for the relevant interest period and principal repayable in semi-annual installments commencing on the 12th month after the date of the Agreement until date of final maturity	Proceeds of the loan shall be used to refinance existing debts, and finance capital expenditure requirements Financial Covenants: Current Ratio not less than 1:1, Debt-Equity Ratio not exceeding 2:1, Debt-EBITDA Ratio not exceeding 3:1; compliant
Dollar loan 2	Various availments in 2013 and 2014	438,116,431	1,924,860,779	2016	Floating rate to be repriced every 3 months	Interest payable every 3 months, principal to be paid on maturity date	Proceeds of the loan will be used to finance capital expenditures and general corporate purposes Financial Covenants: Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1; compliant

(Forward)



Loan Type	Date of Availment	Outstanding Balance		Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		2015	2014				
Dollar loan 3	2014	₱1,317,680,000	₱1,462,344,000	2016	Floating rate to be repriced every 3 months	Interest payable every 3 months, principal to be paid on maturity date	Proceeds of the loan were restricted for capital expenditure requirements and refinancing of existing debts Financial Covenants: Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1; compliant
Dollar loan 4	2014	75,958,914	72,181,972	2016	Floating rate to be repriced every 3 months	Interest payable every 3 months, principal to be paid on maturity date	Unsecured loans Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1; compliant
Dollar loan 5	2015	1,383,979,053	-	2018	Floating rate to be repriced every 3 months	Interest payable every 3 months, principal to be paid on maturity date	Unsecured loans
		₱3,215,734,398	₱3,933,732,375				

Interest expenses on long-term debt recognized under "Finance cost" amounted to ₱44.09 million, ₱53.57 million and ₱81.58 million in 2015, 2014 and 2013, respectively (see Note 22).

As of December 31, 2015, there is no more available borrowing facility that can be drawn.

The maturities of long-term debt at nominal values as of December 31, 2015 and 2014 follow:

	2015	2014
Due in:		
2015	₱-	₱2,113,885,350
2016	5,190,727,400	6,798,902,915
2017	2,462,370,728	2,313,518,937
2018	2,945,721,719	6,976,302,583
2019	1,698,330,989	-
2020	1,700,042,952	-
2021	1,701,818,824	-
2022	851,595,991	-
	₱16,550,608,603	₱18,202,609,785

14. Trade and Other Payables

This account consists of:

	2015	2014
Trade:		
Payable to suppliers and contractors	₱4,000,643,528	₱4,579,969,287
Related parties (Note 18)	1,383,876,235	1,792,921,285
Payable to DOE and local government units (LGU) (Note 27)	1,121,541,027	1,134,628,349
Output VAT Payable	528,518,567	561,565,226
Accrued expenses and other payables (Note 18)	337,413,964	736,478,694
	₱7,371,993,321	₱8,805,562,841



Trade payable to suppliers and contractors

Trade payable to contractors arises from progress billings of completed work. Trade payables to suppliers and contractors include liabilities amounting to ₱609.90 million (US\$12.96 million) and ₱975.79 million (US\$21.82 million) as of December 31, 2015 and 2014, respectively, to various foreign suppliers for open account purchases of equipment and equipment parts and supplies.

Trade payables are noninterest-bearing and are normally settled on 30- to 60-day credit terms.

Payable to DOE and LGU

Payable to DOE and LGU represent the share of DOE and LGU in the gross revenue of the Parent Company's coal production computed in accordance with the Coal Operating Contract (COC) between the Parent Company, DOE and LGU dated July 11, 1977 and as amended on January 16, 1981 (see Note 27).

Output VAT payable

Output VAT pertains to the VAT due on the sale of electricity net of input VAT.

Accrued expenses and other payables

Details of the accrued expenses and other payables account follow:

	2015	2014
Taxes, permits and licenses	₱186,894,959	₱66,584,849
Interest	58,860,871	61,382,584
Dredging services	17,764,371	68,773,000
Salaries and wages	12,488,933	54,155,556
Financial benefit payable	8,832,874	17,715,823
Rental (Note 18)	7,187,400	266,511,787
Professional fees	2,172,907	3,444,936
Spot purchase	-	37,153,333
Shipping cost	-	7,386,515
Others	43,211,649	153,370,311
	₱337,413,964	₱736,478,694

Accrued expenses and other payables are noninterest-bearing and are normally settled on a 30-to 60-day terms.

Others

Others include accruals on contracted services, utilities, supplies and other administrative expenses.

15. Provision for Decommissioning and Site Rehabilitation

	2015	2014
At January 1	₱175,295,942	₱196,504,051
Additions (Note 8)	285,013,181	-
Effect of change in estimates (Note 8)	56,992,919	(18,509,876)
Actual usage	(10,996,190)	(10,388,161)
Accretion of interest (Note 22)	7,395,580	7,689,928
At December 31	₱513,701,432	₱175,295,942



Discount rates used by the Group to compute for the present value of liability for decommissioning and site rehabilitation cost range from 4.81% to 5.24% and 3.86% to 8.77% in 2015 and 2014, respectively.

Additions pertain to the provision for decommissioning and site rehabilitation are for Narra and Molave mine sites. On 2015, the Parent Company performed commissioning activities on Narra Minesite and is expected to perform such activities to Molave Minesite. The Parent Company is expecting to rehabilitate 678 hectares and 930 hectares areas of land for Narra and Molave, respectively, in the next 15 years.

Effect of changes in estimates pertains to the effect of changes in the total area of land to be rehabilitated in Panian Minesite and changes in discount rates based on relative prevailing rates as of reporting date.

16. Capital Stock

The details of the Parent Company's capital stock as of December 31, 2015 and 2014 are as follows:

	2015	
	Shares	Amount
Capital stock - ₱1 par value		
Authorized	3,000,000,000	₱3,000,000,000
Issued and outstanding		
Balance at beginning and end of year	1,068,750,000	1,068,750,000
	2014	
	Shares	Amount
Capital stock - ₱1 par value		
Authorized	3,000,000,000	₱3,000,000,000
Issued and outstanding		
Balance at beginning of year	356,250,000	356,250,000
Stock dividend declared (Note 17)	712,500,000	712,500,000
	1,068,750,000	₱1,068,750,000

On November 28, 1983, the SEC approved the issuance and public offering of 55.00 billion common shares of the Parent Company at an offer price of ₱0.01 per share. Additional public offering was also approved by SEC on February 4, 2005 for 46.87 million common shares at an offer price of ₱36.00 per share.

On August 18, 2014, SEC approved the increase in authorized capital stock of the Parent Company from ₱1.00 billion to ₱3.00 billion divided into 3.00 billion common shares with a par value of ₱1 per share.

As of December 31, 2015, the Parent Company has 1,068.75 million common shares issued and outstanding which are owned by 677 shareholders.



The Parent Company's track record of capital stock is as follows:

	Number of shares registered	Issue/offer price	Date of approval	Number of holders as of yearend
At January 1, 2001	1,630,970,000	₱1/share		
Add (deduct):				
Additional issuance	19,657,388	₱1/share	July 2, 2004	
Conversion of preferred shares to common shares	225,532	₱1/share	July 2, 2004	
Decrease in issued and outstanding common share from capital restructuring	(1,625,852,920)			
Share dividends	225,000,000	₱1/share	July 2, 2004	
Public offering additional issuance	46,875,000	₱36/share	February 4, 2005	
December 31, 2010	296,875,000			632
Add: Share rights offering	59,375,000	₱74/share	June 10, 2010	7
December 31, 2011	356,250,000			639
Add: Movement	-			24
December 31, 2012	356,250,000			663
Add: Movement	-			-
December 31, 2013	356,250,000			663
Add: Stock dividends	712,500,000		August 22, 2014	5
December 31, 2014	1,068,750,000			668
Add: Movement	-			9
December 31, 2015	1,068,750,000			677

17. Retained Earnings

Retained earnings amounting to ₱19.19 billion and ₱14.98 billion as of December 31, 2015 and 2014, respectively. The amounts include the accumulated equity in undistributed net earnings of subsidiaries which are not available for dividends until declared by the subsidiaries.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2015 amounted to ₱7.70 billion.

Cash Dividends

On April 22, 2015, the BOD authorized the Parent Company to declare and distribute cash dividends of ₱4.00 per share or ₱4.28 billion to stockholders of record as of May 7, 2015. The said cash dividends were paid on May 20, 2015.

On April 29, 2014, the BOD authorized the Parent Company to declare and distribute cash dividends of ₱12.00 per share or ₱4.28 billion to stockholders of record as of May 15, 2014. The said cash dividends were paid on May 28, 2014.

On April 30, 2013, the BOD authorized the Parent Company to declare and distribute cash dividends of ₱12.00 per share or ₱4.28 billion to stockholders of record as of May 17, 2013. The said cash dividends were paid on May 29, 2013.

Stock Dividends

On May 5, 2014, the stockholders of the Parent Company approved the 200% stock dividends amounting to ₱712.50 million, divided into 712.50 million shares at the par value of ₱1.00 per share, or two (2) common shares for every one common share held, from the unrestricted retained earnings of the Parent Company as of December 31, 2013, and to be issued from the increase in the authorized capital stock of the Parent Company. On August 22, 2014, SEC approved and fixed the record date on September 8, 2014.



Appropriations

On November 11, 2015, the BOD approved the appropriation of ₱3.00 billion from the unappropriated retained earnings as of December 31, 2015 to be used for the Phase 2 power plant expansion project of its wholly-owned subsidiary, Southwest Luzon Power Generation Corporation. The power plant expansion is expected to be completed in the third quarter of 2016.

On August 8, 2013, the BOD of the Parent Company approved the appropriation of ₱1.60 billion from the unappropriated retained earnings as of December 31, 2012, as additional capital expenditure and investment in power expansion projects of the Parent Company. This appropriation is intended for the ongoing construction of 2 X 150 MW coal-fired power plant in Calaca, Batangas owned by SLPGC (a wholly-owned subsidiary of the Parent Company).

On March 12, 2013, the BOD of the Parent Company ratified the remaining ₱700.00 million appropriation to partially cover new capital expenditures for the Group's mine operation for the years 2013 to 2015.

18. Related Party Transactions

The Group in its regular conduct of business has entered into transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture. The Group has affiliates under common control of DMCI-HI and Dacon Corporation.

Except as indicated otherwise, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

The significant transactions with related parties follow:

	2015		Terms	Conditions
	Amount/Volume	Receivable (Payable)		
Trade receivables (see Note 5)				
<i>Entities under common control</i>				
a.) Transfer of materials, services and reimbursement of shared expenses	₱40,923,381	₱68,830,272	non-interest bearing, due and demandable	Unsecured, no impairment
Advances to contractors - noncurrent (see Note 11)				
<i>Entities under common control</i>				
b.) Deposit for services	₱42,267,857	₱42,267,857	non-interest bearing, due and demandable	Unsecured, no impairment
c.) Construction and outside services	659,749,677	756,442,697	non-interest bearing, recoupment	Unsecured, no impairment
	₱702,017,534	₱798,710,554		
Trade payables (see Note 14)				
<i>Entities under common control</i>				
a.) Reimbursement of shared expenses	₱702,141	(₱702,141)	30 days, non-interest bearing	Unsecured
d.) Operation and maintenance fees	324,000,000	(39,271,558)	30 days, non-interest bearing	Unsecured
e.) Coal handling services	370,324,932	(101,740,918)	30 days, non-interest bearing	Unsecured
f.) Mine exploration and hauling services	916,403,369	(1,340,292)	30 days, non-interest bearing	Unsecured
g.) Construction and other outside services	1,783,916,987	(2,024,579,844)	30 days, non-interest bearing	Unsecured

(Forward)



2015				
	Amount/Volume	Receivable (Payable)	Terms	Conditions
Trade payables (see Note 14)				
<i>Entities under common control</i>				
b.) Purchases of office supplies and refreshments	P6,645,198	(P700,418)	30 days, non-interest bearing	Unsecured
i.) Office, parking and warehouse rental expenses	7,990,559	(2,104,480)	30 days, non-interest bearing	Unsecured
j.) Aviation services	246,589	(12,725,108)	30 days, non-interest bearing	Unsecured
k.) Arrastre and Cargo Services	773,840	(773,840)		
Other noncurrent liabilities (see Note 11)				
<i>Entities under common control</i>				
l.) Retention payable	74,053,021	(698,767,351)	non-interest bearing	Unsecured
	P3,485,056,636	(P2,882,705,950)		
2014				
	Amount/Volume	Receivable (Payable)	Terms	Conditions
Trade receivables (see Note 5)				
<i>Entities under common control</i>				
a.) Transfer of materials, services and reimbursement of shared expenses	P63,875,437	P66,834,060	non-interest bearing, due and demandable	Unsecured, no impairment
e.) Advances for coal handling services	2,315,635	287,806	non-interest bearing, due and demandable	Unsecured, no impairment
	P66,191,072	P67,121,866		
c.) Construction and outside services	P-	P190,726,903	non-interest bearing, recoupment	Unsecured, no impairment
Trade payables (see Note 14)				
<i>Entities under common control</i>				
d.) Operation and maintenance fees	P324,000,000	(P39,264,558)	30 days, non-interest bearing	Unsecured
e.) Coal handling services	71,474,732	(10,262,460)	30 days, non-interest bearing	Unsecured
f.) Mine exploration and hauling services	157,477,279	(154,705,292)	30 days, non-interest bearing	Unsecured
g.) Construction and other outside services	602,033,230	(1,572,951,441)	30 days, non-interest bearing	Unsecured
h.) Purchases of office supplies and refreshments	3,492,708	(1,022,930)	30 days, non-interest bearing	Unsecured
i.) Office, parking and warehouse rental expenses	5,484,428	(1,992,807)	30 days, non-interest bearing	Unsecured
j.) Aviation services	7,037,467	(12,721,797)	30 days, non-interest bearing	Unsecured
	P1,170,999,844	(P1,792,921,285)		
Accrued expenses and other payables (see Note 14)				
<i>Entities under common control</i>				
m.) Rental of equipment	P266,511,787	(P266,511,787)	non-interest bearing	Unsecured
Other noncurrent liabilities (see Note 11)				
<i>Entities under common control</i>				
l.) Retention payable	P117,113,822	(P330,345,677)	non-interest bearing	Unsecured

a. Services rendered, deliveries of goods and reimbursement of expenses advanced by the Group. Nature of these transactions are as follow:

- Due from DMCI Power Corporation (DMCI-PC) pertains to materials issuances, contracted services and various services provided by the Parent Company.
- Due from DMCI Mining Corporation (DMCI-MC) pertains to the contracted services incurred by DMCI-MC during the year, which are initially paid by the Parent Company.
- SCPC made advances to DMCI for the ongoing construction project and charges SJBHI for the share on the rental expenses of the office space being occupied by the latter for administrative purposes.



- Due from DMCI Masbate Power Corporation (DMCI-MPC) pertains to the security contracted services incurred during the year, which are initially paid by the Parent Company.
- DMCI-PDI provides rental of activity hall to the Parent Company.
- Due from M&S Company, Inc. (M&S) pertains to advanced payments made by the Parent Company for material and other supplies.

All outstanding balances from subsidiary and affiliates are included in receivables under "Trade receivable - related parties" in the consolidated statements of financial position

- b. The Group made advances to DMCI for the ongoing construction project for which the balance is included in "Advances to suppliers" account (see Note 7).
- c. D.M. Consunji, Inc. (DMCI) was engaged by SLPGC in the construction of the 2x150MW coal-fired power plant. Billings of DMCI was charged to "Construction in progress" account. As of December 31, 2015 and 2014, advances to contractors amounting ₱756.44 million and ₱199.73 million is classified under "Advances to suppliers and others" in the consolidated statements of financial position (see Note 7).
- d. SCPC engaged DMCI Power Corporation (DMCI Power), an entity under common control of DMCI-HI, for the management, operation and maintenance of the power plant. The agreement was entered into in 2011 and is effective for a period of 10 years from January 1, 2011 and maybe renewed for another 10 years. On January 2, 2014, the agreement was amended by the two parties. The outstanding balances due to DMCI Power are included in the "Trade payable - related parties" account in the consolidated statements of financial position (see Note 14).
- e. SCPC and SLPGC entered into a voyage charter agreement with DMC Construction Equipment and Resources, Inc. (DMC CERI). Freight costs charged by DMC CERI are offset against the commissioning revenue for coal inventories that were consumed during the year and in the "Coal inventory" account for the remaining as of year-end. The outstanding balances due to DMC CERI are included in the "Trade payable - related parties" account in the consolidated statements of financial position (see Note 14).

In 2015, SLPGC hired St. John Bulk Handlers, Inc. (SJBHI) for its coal handling services. Cost of coal handling services provided by SJBHI are offset against the commissioning revenue and the outstanding balance are included in the "Trade payable - related parties" account in the consolidated statements of financial position (see Note 14).

In 2014, SCPC has entered into coal handling services agreement with St. John Bulk Handlers, Inc. (SJBHI). Coal handling services provided by SJBHI are included in the "Cost of energy sales" of SCPC and outstanding balance of are included in the "Trade payable - related parties" account in the consolidated statements of financial position (see Note 14).

- f. DMC-CERI had transactions with the Parent Company for services rendered relating to the Parent Company's coal operations. These include services for the confirmatory drilling for coal reserve and evaluation of identified potential areas, exploratory drilling of other minerals within Semirara Island, dewatering well drilling along cut-off wall of Panian mine and fresh



water well drilling for industrial and domestic supply under an agreement. Expenses incurred for said services are included in cost of sales under "Outside services" in the consolidated statements of comprehensive income (see Note 20).

DMC-CERI also provides the Parent Company marine vessels for use in the delivery of coal to its various customers. The coal freight billing is on a per metric ton basis plus demurrage charges for delays in loading and unloading of coal cargoes. Expenses incurred for these services are included in cost of sales under "Hauling and shiploading costs" in the consolidated statements of comprehensive income (see Note 20).

Furthermore, DMC-CERI provides the Parent Company labor services relating to coal operations including those services rendered by consultants. Expenses incurred for said services are included in cost of sales under "Direct labor" in the consolidated statements of comprehensive income (see Note 20).

Labor costs related to manpower services rendered by DMC-CERI represent actual salaries and wages covered by the period when the services were rendered to Parent Company in its coal operations. Under existing arrangements, payments of said salaries and wages are given directly to personnel concerned.

All outstanding balances to DMC-CERI are included in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position (see Note 14).

- g. The Group contracted DMCI for the construction of its 1 x 15 MW Power Plant located at Semirara Island. Also, the Group engaged the service of DMCI for the construction of various projects such as the construction of 2 x 150 MW coal-fired power plants in Batangas, on-going rehabilitation of existing power plant, and other constructions in compliance with its Corporate Social Responsibility (CSR) such as construction of covered tennis courts, track and field, perimeter fence and others. All outstanding balances to DMCI are lodged in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position. (see Note 14)
- h. The Group engaged Prominent Fruits, Inc. and Sirawi Plywood & Lumber Corp. to supply various raw materials, office supplies and refreshments. The outstanding balance to Prominent Fruits, Inc. and Sirawai Plywood & Lumber Corp. is lodged in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position (see Note 14).
- i. In 2015 and 2014, DMC Urban Property Developers, Inc. (DMC-UPDI) and Asia Industries Inc. had transactions with the Group representing long-term lease on office space and other transactions rendered to the Parent Company necessary for the coal operations. Office rental expenses are included in cost of sales under "Outside services" in the consolidated statements of comprehensive income (see Note 20). The outstanding balance to DMC-UPDI is lodged in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position (see Note 14).
- j. Royal Star Aviation Inc. transports the Parent Company's visitors and employees from Manila to Semirara Island and vice versa and bills the related party for the utilization costs of the aircrafts. The related expenses are included in cost of sales under "Production overhead" in the consolidated statements of comprehensive income (see Note 20).



The outstanding balance to Royal Star Aviation, Inc. is lodged in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position (see Note 14).

- k. In 2015, Vincent Arrastre and Cargo Services, Inc. had transactions with the Parent Company for shipsiding services. The outstanding balance to Vincent Arrastre and Cargo Services, Inc. is lodged in trade and other payables under "Trade payables - related parties" in the consolidated statements of financial position (see Note 14).
- l. In 2015, SCPC and SLPGC have retention payable to DMCI which represents amounts withheld from payments to contractors as guaranty for any claims against them. These are noninterest-bearing and will be remitted to contractors at the end of the contracted work. Outstanding balances are lodged under "Other noncurrent liabilities" in the consolidated statements of financial position (see Note 14).
- m. In 2014, the Parent Company has leased land, certain equipment and office space from DMCI and DMCI-CERI. The Parent Company accrued the related charges from rental of said properties.

Terms and conditions of transactions with related parties

There have been no guarantees and collaterals provided or received for any related party receivables or payables. These accounts are noninterest-bearing and are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. As of December 31, 2015 and 2014, there were no impairment losses recognized on related party balances.

Compensation of key management personnel of the Group by benefit type follows:

	2015	2014
Short-term employee benefits	P159,419,894	P129,866,061
Post-employment benefits	-	4,016,476
	P159,419,894	P133,882,537

There are no other agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plan.

19. Pension Plan

The Group has a funded, noncontributory defined benefit plan covering substantially all of its regular employees. The date of the latest actuarial valuation is December 31, 2015.

The Group accrues retirement costs (included in "Pension liabilities" in the consolidated statements of financial position) based on an actuarially determined amount using the projected unit credit method.

The funds are administered by a trustee bank under the supervision of the BOD of the plan. The BOD is responsible for the investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of the significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes



account of the plan's objectives, benefit obligation and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The Board of Directors delegates the implementation of the investment policy in accordance with the investment strategy as well as various principles and objectives to an Investment Committee, which also consists of members of the BOD, Vice-President for Treasury and Chief Finance Officer. The Vice-President for Treasury and Chief Finance Officer oversee the entire investment process.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Provisions for pension liabilities are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary.

There are no plan amendments, curtailments or settlements.

The cost of defined benefit pension plans and the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension liabilities for the defined benefit plan are shown below:

	2015	2014	2013
Discount rate	5.27% - 6.36%	4.82% - 5.67%	5.07%
Salary increase rate	3.00%	3.00%	3.00%

The following table summarizes the components of pension expense in the consolidated statements of comprehensive income:

	2015	2014	2013
Current service cost	₱16,657,360	₱15,635,036	₱18,225,767
Interest expense related to the defined benefit liability	6,611,027	5,197,340	4,722,795
Interest income related to plan assets	(3,876,122)	(3,547,507)	(3,008,719)
	₱19,392,265	₱17,284,869	₱19,939,843

The above pension expense is included in operating expenses under "Personnel costs" in the consolidated statements of comprehensive income (see Note 21).



The following tables provide analyses of the movement in the defined benefit liability, fair value of plan assets and pension liabilities recognized on consolidated statements of financial position:

	2015	2014
Defined benefit liability at beginning of year	₱118,014,431	₱104,036,133
Current service cost	16,657,360	15,635,036
Interest expense	6,611,027	5,197,340
Remeasurement of defined benefit liability:		
Arising from changes in financial assumptions	(3,705,892)	(3,231,394)
Experience gains (losses)	25,366,613	11,967,619
Benefits directly paid by the Group	(5,780,005)	(10,749,863)
Benefits paid from plan asset	(1,245,182)	(4,840,440)
Defined benefit liability at end of year	₱155,918,352	₱118,014,431
Fair value of plan assets at beginning of year	₱68,984,538	₱72,390,771
Return on plan assets (excluding amounts included in interest income)	(2,679,904)	(2,113,300)
Interest income	3,876,122	3,547,507
Benefits paid - paid directly by the Group	(1,245,182)	(4,840,440)
Fair value of plan assets at end of year	₱68,935,574	₱68,984,538
Net pension liability at beginning of year	₱49,029,893	₱31,645,362
Net periodic pension cost	19,392,265	17,284,869
Amounts recognized in other comprehensive income	24,340,625	10,849,525
Benefit payments	(5,780,005)	(10,749,863)
Net pension liability at end of year	₱86,982,778	₱49,029,893

The Group does not expect any contribution into the pension fund in 2015.

The composition and fair value of plan assets as at the end of reporting date are as follows:

	2015	2014
Cash and cash equivalents	₱3,384,528	₱779,525
Equity instruments		
Financial institutions	5,490,000	5,042,770
Debt instruments		
Government securities	47,059,505	44,860,645
Not rated debt securities	11,983,783	11,899,833
Interest receivable	1,017,758	6,401,765
Fair value of plan assets	₱68,935,574	₱68,984,538

Trust fee in 2015 and 2014 amounted to ₱34,013 and ₱35,878, respectively.

The composition of the fair value of the Fund includes:

Cash and cash equivalents - include savings and time deposit with banks and special deposit account with Bangko Sentral ng Pilipinas

Investment in equity securities - includes investment in common and preferred shares traded in the Philippine Stock Exchange



Investment in debt securities - government securities - include investment in Philippine Retail Treasury Bonds and Fixed Rate Treasury Notes

Investments in debt securities - not rated - include investment in long-term debt notes and retail bonds

Interest receivables - pertain to interest and dividends receivable on the investments in the fund

The management performs a study of how to match its existing assets versus the pension liabilities to be settled. The overall investment policy and strategy of the Group's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plan. The Group's current guiding strategic investment strategy consists of 82% of debt instruments, 7% of equity instruments and 11% others.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit liability as of the end of reporting date, assuming if all other assumptions were held constant:

	2015		2014	
	Increase (Decrease)	Effect on Defined Benefit Liability	Increase (Decrease)	Effect on Defined Benefit Liability
Discount rates	+0.5% to 1%	(P5,359,754)	+0.5% to 1%	(P3,293,497)
	-0.5% to 1%	5,977,391	-0.5% to 1%	3,628,306
Future salary increases	+1%	5,150,821	+1%	4,859,667
	-1%	(4,723,272)	-1%	(4,448,436)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2015	2014
Less than 1 year	P43,117,743	P32,146,458
More than 1 year to 5 years	24,366,519	18,774,851
More than 5 years to 10 years	66,153,865	48,207,917
	P133,638,127	P99,129,226

The Group has no other transactions with the fund.

20. Cost of Sales

Cost of coal sales consists of:

	2015	2014	2013
Materials and supplies (Note 18)	P3,024,001,394	P3,897,257,081	P3,025,232,354
Fuel and lubricants	1,163,408,917	2,991,475,911	2,453,660,298
Outside services (Note 18)	695,999,390	1,075,701,964	739,853,180
Depreciation and amortization (Notes 8 and 11)	519,842,448	822,278,521	1,114,654,804
Direct labor (Note 18)	446,316,290	577,879,037	502,288,609
Production overhead (Note 18)	335,423,295	423,809,451	372,852,892
Cost of coal (Note 6)	6,184,991,734	9,788,401,965	8,208,542,137
Hauling and shiploading costs (Note 18)	202,827,731	439,609,474	456,329,361
	P6,387,819,465	P10,228,011,439	P8,664,871,498



Cost of power sales consists of:

	2015	2014	2013
Coal	₱2,679,503,585	₱2,499,389,790	₱3,761,855,398
Depreciation (Note 8)	1,006,345,938	926,330,084	1,015,838,969
Coal handling expense (Note 18)	110,269,630	73,718,525	3,868,304
Energy spot purchases	107,406,243	4,778,979,591	229,196,883
Bunker	93,581,560	255,037,688	230,027,758
Market fees	59,041,865	39,485,318	54,891,500
Lube	40,993,979	27,747,305	42,361,584
Diesel	38,503,060	97,291,733	79,255,223
Imported coal	-	-	22,785,241
Others	18,627,044	1,495,068	5,543,770
	₱4,154,272,904	₱8,699,475,102	₱5,445,624,630

The cost of coal on power sales consists of:

	2015	2014	2013
Materials and supplies (Note 18)	₱1,268,480,210	₱952,361,524	₱1,240,351,874
Fuel and lubricants	488,016,040	731,018,380	1,151,390,027
Depreciation and amortization (Notes 8 and 11)	291,951,404	262,866,200	470,558,388
Outside services (Note 18)	218,058,715	200,937,841	350,983,612
Direct labor (Note 18)	187,216,640	141,214,641	165,560,645
Hauling and shiploading costs (Note 18)	85,080,306	107,426,105	244,635,094
Production overhead (Note 18)	140,700,270	103,565,099	138,375,758
	₱2,679,503,585	₱2,499,389,790	₱3,761,855,398

21. Operating Expenses

	2015	2014	2013
Government share (Note 27)	₱1,796,046,847	₱1,858,189,613	₱1,304,961,185
Provision for doubtful accounts (Note 5)	925,151,745	-	443,650,080
Operation and maintenance (Note 18)	324,559,835	328,296,434	379,359,691
Personnel costs (Notes 18 and 19)	295,467,153	275,249,168	204,402,527
Taxes and licenses	283,992,995	198,611,913	230,472,304
Office expenses (Note 18)	133,046,584	126,335,538	104,302,257
Repairs and maintenance	121,330,131	104,316,433	648,067,215
Insurance and bonds	92,418,625	71,826,559	59,270,251
Professional fees	70,634,134	50,152,727	42,424,740
Entertainment, amusement and recreation	56,042,490	43,298,078	23,676,815
Depreciation (Note 8)	43,246,105	51,655,398	1,162,179,465
Transportation and travel	31,207,300	28,687,926	21,248,174
Provision for inventory obsolescence (Note 6)	20,902,458	-	-
Loss on disposal and write-down of property, plant and equipment (Note 8)	16,087,500	110,976	449,910,879
Marketing	6,315,763	13,918,905	40,214,509
Others	172,634,820	70,349,709	150,377,541
	₱4,389,084,485	₱3,220,999,377	₱5,264,517,633

Others pertain to various expenses such as advertising and utilities.



22. Finance Costs

	2015	2014	2013
Interest on:			
Long-term debt (Note 13)	₱168,578,574	₱196,770,666	₱256,780,451
Amortization of debt issuance cost (Note 13)	10,950,937	16,360,856	21,751,583
Short-term loans (Note 12)	57,987,231	63,337,130	58,036,103
Accretion of cost of decommissioning and site rehabilitation (Note 15)	7,395,580	7,689,928	867,006
Bank charges	33,275,592	39,069,744	43,794,200
	₱278,187,914	₱323,228,324	₱381,229,343

23. Finance Income

	2015	2014	2013
Interest on:			
Cash in banks (Note 4)	₱22,091,022	₱5,178,605	₱7,103,842
Cash equivalents (Note 4)	25,796,786	29,146,795	6,667,777
Investment in sinking fund (Note 9)	8,992,559	6,671,014	12,173,043
Others	683,382	456,354	859,904
	₱57,563,749	₱41,452,768	₱26,804,566

24. Other Income

	2015	2014	2013
Recoveries from insurance claims	₱161,195,903	₱82,552,158	₱10,632,170
Sale of fly ash	133,118,624	113,478,322	203,180,188
Gain on sale of equipment (Note 8)	76,461,975	336,750	135,073
Commissioning income	58,327,356	-	-
Reversal of allowance for impairment losses (Note 11)	10,683,653	-	61,549,364
Miscellaneous	891,119	9,121,503	5,711,963
	₱440,678,630	₱205,488,733	₱281,208,758

Recoveries from insurance claims

Recoveries from insurance claims pertain to the amount reimbursed from insurer on insured equipment.

Miscellaneous

Miscellaneous income includes revenue derived from selling excess electricity produced by the Group to the neighboring communities.



25. Income Tax

The provision for (benefit from) income tax consists of:

	2015	2014
Current	P995,397,884	P-
Final	10,713,827	8,116,083
Deferred	175,972,220	(560,983,213)
	P1,182,083,931	(P552,867,130)

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in the consolidated statements of comprehensive income follows:

	2015	2014
Statutory income tax rate	30.00%	30.00%
Adjustments for:		
Nondeductible expense	0.08	-
Nondeductible interest expense	0.05	0.03
Movement in unrecognized deferred tax assets	7.62	15.02
Interest income already subject to final tax at a lower rate	(0.04)	(0.04)
Tax-exempt income	(25.48)	(53.77)
Effective income tax rate	12.23%	(8.76%)

The components of net deferred tax assets as of December 31, 2015 and 2014 follow:

	2015	2014
Allowance for impairment losses	P413,361,049	P7,792,467
Unrealized foreign exchange loss	43,267,396	16,330,527
Accrual of pension obligation	27,183,716	15,797,851
Allowance for inventory obsolescence	19,846,439	13,575,917
Allowance for doubtful accounts	19,668,863	10,667,588
Various accruals	6,990,107	-
Provision for decommissioning and site rehabilitation	2,675,078	2,265,116
MCIT	2,042,359	-
NOLCO	509,811	637,765,958
	P535,544,818	P704,195,424

The Parent Company and SLPGC have not recognized deferred tax assets on NOLCO from the following periods:

<i>Parent Company</i> Year Incurred	Amount	Expiry Year
2015	P2,455,567,304	2018
2014	4,878,525,474	2017
2013	3,440,456,777	2016
	P10,774,549,555	



SLPGC

Year Incurred	Amount	Expiry Year
2014	₱12,869,915	2017
2013	48,074,547	2016
	₱60,944,462	

The following entities within the Group recognized deferred tax assets on NOLCO from the following periods:

SEUI

Year Incurred	Amount	Expiry Year
2015	139,173	2018
2014	131,010	2017
2013	100,500	2016
	₱370,683	

SCI

Year Incurred	Amount	Expiry Year
2015	₱351,212	2018
2014	201,915	2017
	₱553,127	

Board of Investments (BOI) Incentives

Parent Company

On September 26, 2008, the BOI issued in favor of the Parent Company a Certificate of Registration as an Expanding Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987. Pursuant thereto, the Parent Company shall be entitled to the following incentives, among others:

- a. Income tax holiday (ITH) for six (6) years from September 2008 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. For purposes of availment of ITH, a base figure of 2,710,091 MT representing the Parent Company's average sales volume for the past three (3) years prior to the expansion shall be used.

The Parent Company shall initially be granted a four (4) year ITH. The additional two (2) year ITH shall be granted upon submission of completed or on-going projects in compliance with its CSR, which shall be submitted before the lapse of its initial four (4) year ITH. The Parent Company's ITH of 6 years lapsed in September 2014.

On May 1, 2014, BOI approved the Parent Company's additional year of ITH entitlement from September 2014 to September 2015. On August 12, 2014, BOI approved the Parent Company's additional year of ITH entitlement from September 2015 to September 2016.

- b. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from the date of registration. The president, general manager and treasurer of foreign-owned registered companies or their equivalent shall not be subject to the foregoing limitations.



Date of filing: Application shall be filed with the BOI Incentives Department before assumption to duty of newly hired foreign nationals and at least one (1) month before expiration of existing employment for renewal of visa.

- c. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

On August 19, 2009, the BOI granted the Parent Company's request for a reduced base figure from 2,710,091 MT to 1,900,000 MT representing the average sales volume for the past eight (8) years (2000 to 2007) prior to registration with BOI.

The Parent Company availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱2.29 billion, ₱2.69 billion and ₱1.48 billion in 2015, 2014 and 2013, respectively.

SCPC

On April 19, 2010, SCPC was registered with the BOI as New Operator of the 600-MW Calaca Coal-Fired Power Plant on a Non-Pioneer Status in accordance with the provisions of the Omnibus Investments Code of 1987. In accordance with its registration, SCPC shall be entitled to, among others, an ITH for four (4) years from April 2011 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH incentives shall be limited to the revenue generated from the sales of electricity of the 600 MW Batangas Coal-Fired Thermal Power Plant.

On January 7, 2011, BOI approved SCPC's request for an earlier application of the ITH to be effective January 1, 2010.

On December 17, 2013, BOI approved SCPC's request for the extension for one (1) year of the ITH for the period January 1 to December 31, 2014.

SCPC availed of tax incentive in the form of ITH on its income under registered activities amounting at nil and ₱1.22 billion in 2015 and 2014, respectively.

SLPGC

On June 21, 2012, the application for registration of SLPGC as new operator of 300 MW (Phase 1) Batangas Coal Fired Power Plant on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226) was approved. Pursuant thereto, SLPGC shall be entitled to the following incentives, among others:

- a. ITH for four (4) years from January 2015 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration;
- b. For the first five (5) years from date of registration, the enterprise shall be allowed an additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availments as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board and provided that this incentive shall not be availed of simultaneously with the ITH;
- c. Importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond;



- d. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; and
- e. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

On June 19, 2015, SLPGC wrote the BOI informing the latter of the delay in the start of commercial operations of Units 1 & 2 of the 2x150 MW CFB Fired Power Plant Project citing as reason the delay in the substation interconnection of the plant due to legal and commercial issues between and among the National Power Corporation, National Transmission Corporation, First Gas Power Corporation, MERALCO, PSALM and National Grid Corporation.

On July 2, 2015 the BOI replied that the BOI may grant a request for deferment of start of commercial operations with justifiable cause for a maximum of one (1) year. The BOI may also grant a second request for deferment for six (6) months provided that the reason for the second request is different from the first. However failure to start commercial operations as committed in a second request shall be a ground for automatic cancellation of registration without prejudice to filing a new application for registration.

On February 16, 2016, SLPGC informed the BOI that testing and commission commenced shortly after the interconnection issue was resolved on July 16, 2015. In said letter SLPGC formally requested the BOI for extension for the six (6) months or up to June 2016.

26. Basic/Diluted Earnings Per Share

The following table presents information necessary to calculate earnings per share:

	2015	2014	2013
Net income	₱8,486,909,081	₱6,861,294,479	₱7,519,591,282
Divided by the weighted average number of common shares outstanding	1,068,750,000	1,068,750,000	1,068,750,000
Basic/diluted earnings per share	₱7.94	₱6.42	₱7.04

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorization of these consolidated financial statements.

27. Coal Operating Contract with DOE

On July 11, 1977, the Government, through its former Energy Development Board, awarded a 35-year COC to a consortium led by Vulcan Industrial & Mineral Exploration Corporation and Sulu Sea Oil Development Corporation that subsequently assigned said COC to then Semirara Coal Corporation, now the Parent Company on April 7, 1980. On July 27, 1977, Presidential Decree (PD) 972 was amended by PD 1174: (a) increasing coal operators' maximum cost recovery from an amount not exceeding 70% to 90% of the gross proceeds from production, and (b) increasing the amount of a special allowance for Philippine corporations from an amount not exceeding 20% to 30% of the balance of the gross income, after deducting all operating expenses. As a result, the Parent Company's COC was subsequently amended on January 16, 1981 reflecting said changes.



On June 8, 1983, the Ministry of Energy (now DOE), issued a new COC to the Parent Company, incorporating the foregoing assignment and amendments. The COC gives the Parent Company the exclusive right to conduct exploration, development and coal mining operations on Semirara Island until July 13, 2012. On May 13, 2008, the DOE granted the Parent Company's request for an extension of its COC for another 15-year or until July 14, 2027.

On November 12, 2009, the COC was amended further, expanding its contract area to include portions of Caluya and Sibay Islands, Antique, covering an additional area of 5,500 hectares and 300 hectares, respectively.

On April 29, 2013, the DOE issued a new COC to the Parent Company granting the Parent Company the exclusive right to conduct exploration, development and coal mining operations in the municipality of Bulalacao, province of Oriental Mindoro, up to a maximum of 36 years from its effective date. The COC covers two coal-bearing parcels of land covering areas of 2,000 and 5,000 hectares, respectively.

On June 7, 2013, the DOE issued a new COC to the Parent Company granting the Parent Company the exclusive right to conduct exploration, development and coal mining operations in the municipalities of Maitum and Kiamba, province of Sarangani, up to a maximum of 36 years from its effective date. The COC covers a coal-bearing parcel of land covering area of 5,000 hectares.

In return for the mining rights granted to the Parent Company, the Government is entitled to receive annual royalty payments consisting of the balance of the gross income after deducting operating expenses, operator's fee and special allowance. The Parent Company's provision for DOE's share under this contract and to the different LGU in the province of Antique, under the provisions of the Local Government Code of 1991, amounted to ₱1.80 billion, ₱1.86 billion and ₱1.30 billion in 2015, 2014 and 2013, respectively, included under "Operating expenses" in the consolidated statements of comprehensive income (see Note 21). The liabilities, amounting to ₱1.12 billion and ₱1.13 billion as of December 31, 2015 and 2014 are included under the "Trade and other payables" account in the consolidated statements of financial position (see Note 14).

The DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by the Parent Company to feed its power plant in determining the amount due to DOE.

28. Contingencies and Commitments

SCPC

a. Provision for billing disputes

On October 20, 2010, SCPC filed a Petition for dispute resolution ("Petition") before the Energy Regulatory Commission (ERC) against NPC and PSALM involving over-nominations made by NPC during the billing periods January to June 2010 beyond the 169,000 kW Manila Electric Company (MERALCO) allocation of SCPC, as provided under the Schedule W of the APA.

In its Petition, SCPC sought to recover the cost of energy (a) sourced by SCPC from WESM in order to meet NPC's nominations beyond the 169,000 kW MERALCO contracted demand, or (b) procured by NPC from the WESM representing energy nominated by NPC in excess of the 169,000 kW limit set in Schedule W, cost of which was charged by PSALM against



SCPC. In relation to this, NPC withheld the payments of MERALCO and remitted to SCPC the collections, net of the cost of the outsourced energy.

SCPC has likewise sought to recover interest on the withheld MERALCO payments collected by PSALM that is unpaid to SCPC as of due date, to be charged at the rate of 6% computed from the date of SCPC's extrajudicial demand until full payment by PSALM.

During the preliminary conference scheduled on November 25, 2010, the ERC's hearing officer directed the parties to explore the possibility of settling the dispute amicably. As the parties failed to arrive at a compromise during the prescribed period, hearings resumed with the conduct of preliminary conference on February 23, 2011, without prejudice to the result of any further discussions between the parties for amicable settlement. The ERC set the next hearing for the presentation of witnesses on March 22 and 23, 2011.

In 2010, SCPC made a provision for the total amount withheld by NPC, which amounted to ₱383.29 million. Though a provision has already been made, SCPC has not waived its right to collect the said amount in case the outcome of the dispute resolution would be a favorable settlement for SCPC. The provision will be reversed and an income would be recognized in the "Other income" account upon collection of the said receivable.

On July 6, 2011, the ERC rendered its Decision in favor of SCPC and directed the parties, among others to submit the reconciled computation of the over-nominations and other MERALCO payments withheld by PSALM during the periods January 2010 to June 2010, and for PSALM to return to SCPC the amount computed and reconciled, including the interests thereon a rate of 6% per annum. PSALM filed a Motion for Reconsideration on the Decision which was denied by ERC in an order dated February 13, 2012 for lack of merit.

On April 24, 2012, SCPC and PSALM each filed their Compliance submitting the reconciled computations of the over-nominations and other MERALCO payments withheld by PSALM, as agreed upon by the parties, in the principal amount of ₱476.00 million.

On December 4, 2013, SCPC filed a Motion for Issuance of Writ of Execution praying to direct PSALM to remit the Principal Amount, including interest of 6% per annum computed from August 4, 2010 until the date of actual payment, as well as the value added tax collected by PSALM from MERALCO, pursuant to the ERC's Decision dated July 6, 2011 and Order dated February 13, 2012.

On June 23, 2014, the ERC issued an Order granting the Writ of Execution in favor of SCPC and called a clarificatory conference on September 3, 2014 for the parties to discuss the details of the execution. PSALM filed a Motion for Reconsideration of the ERC's Order dated June 23, 2014.

On September 3, 2014 clarificatory conference, the ERC directed the parties to discuss how they could mutually carry out the execution granted by the ERC in favor of SCPC and likewise (1) granted SCPC ten days to file its Comment/Opposition to PSALM's motion for reconsideration; and (2) ordered PSALM to file its Compliance and submit a copy of the 3rd Indorsement dated May 29, 2014 issued by the General Counsel of the Commission on Audit to PSALM.



On September 11, 2014, PSALM filed its Compliance and duly submitted the 3rd Indorsement. On September 15, 2014, SCPC filed its Opposition to PSALM's Motion for Reconsideration.

As of December 31, 2015, the ERC has not resolved PSALM's Motion for Reconsideration.

PSALM's Petition for Review before the Court of Appeals and Supreme Court of the Philippines

Meanwhile, PSALM filed a Petition for Review with Prayer for Temporary Restraining Order and/or Preliminary Injunction with the Court of Appeals on March 30, 2012, questioning the ERC's decision dated July 6, 2011 and Order dated February 13, 2012. On September 4, 2012, the Court of Appeals rendered a Decision, denying PSALM's petition and affirming the related Decision and Order previously issued.

PSALM subsequently filed a Motion for Reconsideration dated September 26, 2012 and seeking the reconsideration of the Decision dated September 4, 2012. SCPC filed its Opposition to PSALM's Motion for Reconsideration on November 5, 2012. Subsequently, the Court of Appeals issued a Resolution denying the Motion for Reconsideration filed by PSALM on November 27, 2012.

On December 27, 2012, PSALM filed a Petition for Review on Certiorari with Prayer for Issuance of Temporary Restraining Order and/or Preliminary Injunction with the Supreme Court.

Subsequently the Supreme Court issued a Resolution dated January 21, 2013 requiring SCPC to file a Comment to PSALM's Petition. Thus, on March 25, 2013, SCPC filed its Comment.

PSALM filed a Motion for Extension to file reply on July 25, 2013, requesting for an additional period of ten (10) days from July 25, 2013, or until August 4, 2013, within which to file its Reply. PSALM subsequently filed its Reply on August 2, 2013.

In a Resolution dated September 30, 2013, the Supreme Court granted PSALM's Motion for Extension to File Reply and noted the filing of PSALM's Reply.

PSALM's Petition has not yet been resolved as of December 31, 2015.

b. Operating Lease Commitment - as a Lessee

As discussed in Notes 7 and 11, SCPC entered into a LLA with PSALM for the lease of land where the Power Plant is situated, for the period of 25 years, renewable for another 25 years upon mutual agreement. In 2009, SCPC paid US\$3.19 million or its peso equivalent ₱150.57 million as advance rental for the 25-year land lease.

Provisions of the LLA include that SCPC has the option to buy the Option Assets upon issuance of an Option Existence Notice (OEN) by the lessor. Option assets are parcels of land that form part of the leased premises which the lessor offers for sale to the lessee.

SCPC was also required to deliver and submit to the lessor a performance security amounting to ₱34.83 million in the form of Stand-by Letter of Credits. The Performance Security shall be maintained by SCPC in full force and effect continuously without any interruption until the Performance Security expiration date. The Performance Security initially must be effective for the period of one year from the date of issue, to be replaced prior to expiration every year thereafter and shall at all times remain valid.



In the event that the lessor issues an OEN and SCPC buy the option assets, the land purchase price should be equivalent to the highest of the following and/or amounts: (i) assessment of the Provincial Assessors of Batangas Province; (ii) the assessment of the Municipal or City Assessor having jurisdiction over the particular portion of the leased premises; (iii) the zonal valuation of Bureau of Internal Revenue or, (iv) 21.00 per square meter (dollar). Valuation basis for (i) to (iii) shall be based on the receipt of PSALM of the option to exercise notice.

The exchange rate to be used should be the Philippine Dealing Exchange rate at the date of receipt of PSALM of the option to exercise notice.

On July 12, 2010, PSALM issued an OEN and granted SCPC the "Option" to purchase parcels of land (Optioned Assets) that form part of the leased premises. SCPC availed of the "Option" and paid the Option Price amounting to US\$0.32 million (₱14.72 million) exercisable within one year from the issuance of the Option Existence Notice.

On April 28, 2011, SCPC sent a letter to PSALM requesting for the assignment of the option to purchase a lot with an area of 82,740 sqm in favor of its Parent Company. On May 5, 2011, PSALM approved the assignment. On June 1, 2011, SCPC exercised the land lease option at a purchase price of ₱292.62 million and is included as part of "Property, plant and equipment" (see Note 8).

On October 12, 2011, SCPC reiterated its proposal to purchase the remainder of the Leased Premises not identified as Optioned Assets. One of the salient features of the proposal included the execution of Contract to Sell (CTS) between SCPC and PSALM. This included the proposal of SCPC to assign its option to purchase and sub-lease in favor of Southwest Luzon Power Generation (SLPGC).

On February 13, 2012, PSALM held off the approval of the proposal to purchase the portion of Calaca Leased Premises not identified as Optioned Assets, subject to further studies. On the same date, PSALM Board has approved SCPC's request to sub-lease a portion of the Calaca Leased Premises to SLPGC for the purpose of constructing and operating a power plant.

On February 24, 2012, SCPC sent a letter to PSALM for its proposal to handle the titling of Calaca Land.

As of the December 31, 2015, PSALM is pending for any response in connection therewith.

c. Purchase Commitments

SCPC has entered into purchase commitment with its Parent Company for the supply of coal. The contract agreement provides that the Parent Company shall supply to SCPC and the latter shall purchase from the Parent Company minimum volume of 1.10 million metric tons +/- 10% up to the maximum quantity of 2.4 million metric tons of coal. The contract ended on June 30, 2011. On December 22, 2011, SCPC renewed the said agreement that shall take effect from July 1, 2011 until December 31, 2021.



Further, both parties agreed on the amendment of Semirara Coal Specification, Pricing, and Price Adjustments.

SCPC has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of pending assessments.

SLPGC

a. Construction contract

SLPGC entered into a construction contract with DMCI for the construction of its power plant. SLPGC is entitled to liquidating damages at the daily rate of 1/10 of 1% of the Contract Price which in no event shall exceed 10% of the Contract Price. To date, the discussion with DMCI for the time extensions and estimated time of completion is still on going and has not been finalized, thus no liquidated damages had been recorded to date.

b. Purchase Commitments

SLPGC has entered into purchase commitment with its Parent Company for the supply of coal. The contract agreement provides that the Parent Company shall supply to SLPGC and the latter shall purchase from the Parent Company minimum volume of 0.53 million metric tons +/- 10% up to the maximum quantity of 1.05 million metric tons of coal. The contract shall take effect on May 2015 until May 31, 2025.

SMPC

a. Contingencies

The Parent Company has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested. The information usually required by PAS 37 is not disclosed on the grounds that it can be expected to prejudice the outcome of pending assessments.

b. Commitments

The Parent Company leases land at the minesite and building as office space. The lease term is for seven (7) years with option to extend. Future minimum rental payables under operating leases follow:

	2015	2014
Within one year	₱2,590,382	₱27,428,345
After one year but not more than five years	2,063,587	65,727,740
After five years	-	5,011,376
	₱4,653,969	₱98,167,461

c. Provision for probable legal claims

The Group is contingently liable with respect to certain other lawsuits and other claims which are being contested by management, the outcome of which are not presently determinable. Management believes that the final resolution of these claims will not have a material effect on the consolidated financial statements.



The information usually required by PAS 37 is not disclosed as it will prejudice the outcome of the lawsuits and claims.

29. Financial Risk Management Objectives and Policies

The Group has various financial assets such as cash and cash equivalents, receivables, investment in sinking fund and environmental guarantee fund, which arise directly from operations.

The Group's financial liabilities comprise trade and other payables, short-term loans and long-term debt. The main purpose of these financial liabilities is to raise finance for the Group's operations. The main risks arising from the Group's financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. The BOD reviews and approves policies for managing each of these risks which are summarized below.

The sensitivity analyses have been prepared on the following basis:

- Price risk - movement in one-year historical coal prices
- Interest rate risk - market interest rate on loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2015 and 2014.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The price that the Group can charge for its coal is directly and indirectly related to the price of coal in the world coal market. In addition, as the Group is not subject to domestic competition in the Philippines, the pricing of all of its coal sales is linked to the price of imported coal. World thermal coal prices are affected by numerous factors outside the Group's control, including the demand from customers which is influenced by their overall performance and demand for electricity. Prices are also affected by changes in the world supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs.

As the coal price is reset on a periodic basis under coal supply agreements, this may increase its exposure to short-term coal price volatility.

There can be no assurance that world coal prices will be sustained or that domestic and international competitors will not seek to replace the Group in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Group's profits.

To mitigate this risk, the Group continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved (i.e. domestic



vs local). Also, in order to mitigate any negative impact resulting from price changes, it is the Group's policy to set minimum contracted volume for customers with long term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin. The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract.

Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e., abnormal rise in cost of fuel, foreign exchange).

Below are the details of the Group's coal sales to the domestic market and to the export market (as a percentage of total coal sales volume):

	2015	2014
Domestic market	45.82%	39.95%
Export market	54.18%	60.04%

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of December 31, 2015 and 2014 with all other variables held constant. The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on 1-year historical price movements in 2015 and 2014.

Change in coal price	Effect on income before income tax	
	2015	2014
<i>Based on ending coal inventory</i>		
Increase by 15% in 2015 and 22% in 2014	₱416,498,009	₱316,564,503
Decrease by 15% in 2015 and 22% in 2014	(416,498,009)	(316,564,503)
<i>Based on coal sales volume</i>		
Increase by 15% in 2015 and 22% in 2014	2,452,398,481	8,008,029,855
Decrease by 15% in 2015 and 22% in 2014	(2,452,398,481)	(8,008,029,855)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debts with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain a balance of Peso-denominated and United States Dollar (US\$)-denominated debts.



The following table shows the information about the Group's financial instruments that are exposed to cash flow (floating rate instrument) and fair value (fixed rate instrument) interest rate risks and presented by maturity profile:

2015

	Interest	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Carrying Value
Cash in banks and cash equivalents		P4,740,745,399					P4,740,745,399
Foreign short-term debt at floating rate							
\$19.80 million loans (USD)	Floating rate	P885,534,976	P-	P-	P-	P-	P885,534,976
Foreign long-term debt at floating rate							
\$9.31 million loan (USD)	Floating rate to be repriced every 3 months	438,116,431	-	-	-	-	438,116,431
\$28.00 million loan (USD)	Floating rate to be repriced every 3 months	1,317,680,000	-	-	-	-	1,317,680,000
\$1.61 million loan (USD)	Floating rate payable quarterly and in arrears, to be repriced every 90 days	75,958,914	-	-	-	-	75,958,914
\$29.41 million loan (USD)	Floating rate to be repriced every 3 months	-	-	1,383,979,053	-	-	1,383,979,053
Mortgage payable at floating rate							
	PDST-F benchmark yield for three-month treasury securities + 1.00%	1,693,555,857	1,695,089,629	1,696,680,624	1,698,330,989	4,253,457,767	11,037,114,866
	PDST-F benchmark yield for 3-month treasury securities +1.75%	1,530,478,240	767,281,099	-	-	-	2,297,759,339
		P5,941,324,418	P2,462,370,728	P3,080,659,677	P1,698,330,989	P4,253,457,767	P17,436,143,579



2014

	Interest	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Carrying Value
		1.38% to 2.75%	P-	P-	P-	P-	
Cash in banks and cash equivalents		₱3,677,533,204					₱3,677,533,204
Foreign short-term debt at floating rate	Floating rate	₱1,218,753,398					₱1,218,753,398
\$27.25 million loans (USD)							
Foreign long-term debt at floating rate	Floating rate payable quarterly and in arrears, to be repriced every 90 days	211,691,912	1,296,837,252				1,508,529,164
\$33.73 million loan (USD)							
\$32.70 million loan (USD)	Floating rate to be repriced every 90 days		1,462,344,000				1,462,344,000
\$10.61 million loan (USD)	Floating rate, aggregate of the margin (1.20%) and LIBOR, to be repriced every 90 to 180 days		474,345,624				474,345,624
\$9.31 million loan (USD)	Floating rate to be repriced every 90 days		416,331,618				416,331,618
\$1.61 million loan (USD)	Floating rate		72,181,972				72,181,972
Mortgage payable at floating rate	PDST-F benchmark yield for three-month treasury securities + 1.00%	378,652,287	1,544,876,300	1,546,237,838	6,976,302,583		10,446,069,008
	PDST-F benchmark yield for 3-month treasury securities +1.75%	1,525,049,063	1,530,478,240	767,281,099			3,822,808,402
		₱3,334,146,660	₱6,797,395,006	₱2,313,518,937	₱6,976,302,583		₱19,421,363,186



The following table demonstrates the sensitivity of the Group's income before tax to a reasonably possible change in interest rates on December 31, 2015 and 2014, with all variables held constant, through the impact on floating rate borrowings.

Basis points (in thousands)	Effect on Income Before Tax	
	2015	2014
+100	(P195,436)	(P194,214)
-100	195,436	194,214

The assumed movement in basis points for interest rate sensitivity analysis is based on the Group's historical changes in market interest rates on bank loans.

There was no effect on the equity other than those affecting the income before tax.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's policy is to maintain a level of cash that is sufficient to fund its monthly cash requirements, at least for the next four to six months. Capital expenditures are funded through a mix of suppliers' credit, letters of credit, trust receipts and long-term debt, while operating expenses and working capital requirements are funded through cash collections. A significant part of the Group's financial assets that are held to meet the cash outflows include cash equivalents and trade receivables. Although trade receivables are contractually collectible on a short-term basis, the Group expects continuous cash inflows through continuous production and sale of coal and power generation. In addition, although the Group's short-term deposits are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

Moreover, the Group considers the following as mitigating factors for liquidity risk:

- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Fund raising activities may include obtaining bank loans.



The tables below summarize the maturity profile of the Group's financial assets and liabilities as of December 31, 2015 and 2014 based on undiscounted contractual payments:

	2015					Total
	Less than 6 months	6-12 months	1-2 years	2-3 years	More than 3 years	
Assets						
Cash in banks and cash equivalents	P4,740,745,399				P-	P4,740,745,399
Receivables						
Trade :						
Outside parties	2,337,954,923	30,303,905	322,650,167	-	-	2,690,908,995
Related parties	68,830,272	-	-	-	-	68,830,272
Others*	82,726,459	-	-	-	-	82,726,459
Environmental guarantee fund	-	-	-	-	1,500,000	1,500,000
Investment in sinking fund	460,234,017	-	-	-	-	460,234,017
	7,690,491,070	30,303,905	322,650,167	-	1,500,000	8,044,945,142
Liabilities						
Trade and other payables						
Trade:						
Payable to suppliers and contractors	4,000,643,528	-	1,240,838,243	-	-	5,241,481,771
Related parties	1,383,876,235	-	1,498,829,715	-	-	2,882,705,950
Accrued expenses and other payables**	309,212,881	-	-	-	-	309,212,881
Short-term loans	2,993,000,994	-	-	-	-	2,993,000,994
Long-term debt at floating rate						
\$9.31 million loan (USD) with interest payable in arrears	438,116,431	-	-	-	-	438,116,431
\$28.00 million loan (USD) with interest payable in arrears	1,317,680,000	-	-	-	-	1,317,680,000
\$1.61 million loan (USD) with interest payable in arrears	75,958,914	-	-	-	-	75,958,914
\$29.41 million loan (USD) with interest payable in arrears	-	-	-	1,383,979,053	-	1,383,979,053
PDST-F benchmark yield for 3-month treasury securities + 1.00%	846,777,929	846,777,928	1,695,089,629	1,696,680,624	5,951,788,756	11,037,114,866
PDST-F benchmark yield for 3-month treasury securities + 1.75%	765,239,120	765,239,120	767,281,099	-	-	2,297,759,339
	12,130,506,032	1,612,017,048	5,202,038,686	3,080,659,677	5,951,788,756	27,977,010,199
	(P4,440,014,962)	(P1,581,713,143)	(P4,879,388,519)	(P3,080,659,677)	(P5,950,288,756)	(P19,932,065,057)

*excludes advances for liquidation

**excludes statutory liabilities



2014

	Less than 6 months	6-12 months	1-2 years	2-3 years	More than 3 years	Total
Assets						
Cash in banks and cash equivalents	₱3,677,533,204					₱3,677,533,204
Receivables:						
Trade :						
Outside parties	2,764,277,397	1,208,069,234				3,972,346,631
Related parties	67,121,866					67,121,866
Others*	74,923,989					74,923,989
Environmental guarantee fund					1,500,000	1,500,000
Investment in sinking fund				521,780,873		521,780,873
	6,583,856,456	1,208,069,234		521,780,873	1,500,000	8,315,206,563
Liabilities						
Trade and other payables:						
Trade:						
Payable to suppliers and contractors	4,579,969,287					4,579,969,287
Related parties	1,792,921,285					1,792,921,285
Accrued expenses and other payables**	707,618,017					707,618,017
Short-term loans	1,050,916,914	167,836,484				1,218,753,398
Long-term debt at floating rate						
\$33.73 million loan (USD) with interest payable in arrears	105,845,956	105,845,956	1,296,837,252			1,508,529,164
\$32.70 million loan (USD) with interest payable in arrears			1,462,344,000			1,462,344,000
\$10.61 million loan (USD) with interest payable in arrears			474,345,624			474,345,624
\$9.31 million loan (USD) with interest payable in arrears			416,331,636			416,331,636
\$1.61 million loan (USD) with interest payable in arrears			72,181,951			72,181,951
PDST-F benchmark yield for 3-month treasury securities + 1.00%		378,652,287	1,544,876,300	1,631,463,248	7,046,066,216	10,601,058,051
PDST-F benchmark yield for 3-month treasury securities + 1.75%	762,524,532	762,524,532	1,530,478,240	780,708,518		3,836,235,822
	8,999,795,991	1,414,859,259	6,797,395,003	2,412,171,766	7,046,066,216	26,670,288,235
	(₱2,415,939,535)	(₱206,790,025)	(₱6,797,395,003)	(₱1,890,390,893)	(₱7,044,566,216)	(₱18,355,081,672)

*excludes advances for liquidation

**excludes statutory liabilities



Foreign currency risk

Majority of the Group's revenue are generated in Philippine peso, however, substantially all of capital expenditures are in US\$.

The Group manages this risk by matching receipts and payments in the same currency and monitoring. Approximately, 54.18% and 60.04% of the Group's sales in 2015 and 2014, respectively, were denominated in US\$ whereas approximately 16.45% and 32.03% of debts as of December 31, 2015 and 2014, respectively, were denominated in US\$.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents follow:

	December 31, 2015		December 31, 2014	
	U.S. Dollar	Peso Equivalent	U.S. Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	\$3,376,117	₱158,880,066	\$24,582,205	₱1,099,316,208
Trade receivables	8,298,296	390,517,809	15,024,717	671,905,344
Liabilities				
Trade payables	(12,440,275)	(585,439,342)	(20,291,547)	(907,437,999)
Short-term loans	(18,817,148)	(885,534,976)	(27,252,983)	(1,218,753,400)
Long-term debt (including current portion)	(68,332,648)	(3,215,734,398)	(87,963,604)	(3,933,732,371)
Net exposure	(\$87,915,658)	(₱4,137,310,841)	(\$95,901,212)	(₱4,288,702,218)

The exchange rates used were ₱47.06 to \$1 and ₱44.72 to \$1 in 2015 and 2014, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities) on December 31, 2015 and 2014.

Reasonably possible change in the Philippine peso-US dollar exchange rate	Increase (decrease) in income before tax	
	2015	2014
₱2	(₱175,831,316)	(₱191,802,424)
(2)	175,831,316	191,802,424

There is no impact on the Group's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on movement in dollar average exchange rates.

The Group recognized net foreign exchange losses amounting to ₱300.06 million, ₱52.14 million and 481.18 million in 2015, 2014 and 2013, respectively, arising from the translation of the Group's cash and cash equivalents, trade receivables, trade payables, short-term loans and long-term debt.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group manages and controls credit risk by doing business with recognized, creditworthy third parties, thus, there is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group evaluates the financial condition of the local customers before deliveries are made to them.



On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject for the Group's approval, hence, mitigating the risk on collection. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to doubtful accounts is not significant. The Group generally bills 80% of coal delivered payable within 30 days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered. The Group's exposure to credit risk from trade receivables arise from the default of the counterparty with a maximum exposure equal to their carrying amounts.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, other receivables, environmental guarantee fund and investment in sinking fund, the exposure to credit risk arises from default of the counterparty with a maximum exposure to credit risk equal to the carrying amount of the financial assets as of reporting date. The Group does not hold any collateral or other credit enhancement that will mitigate credit risk exposure. The Group transacts only with institutions or banks and third parties that have proven track record in financial soundness. The management does not expect any of these institutions to fail in meeting their obligations.

The credit risk is concentrated to the following markets:

	2015	2014
Trade receivables - outside parties	83.70%	91.47%
Trade receivables - related parties	1.64	1.63
Others	14.66	6.90
	100.00%	100.00%

As of December 31, 2015 and 2014, the credit quality per class of financial assets is as follows:

	2015				Total
	Neither Past Due nor Impaired		Substandard Grade	Past due and/or Individually Impaired	
	Grade A	Grade B			
Cash in banks and cash equivalents	₱4,740,745,399	₱-	₱-	₱-	₱4,740,745,399
Receivables:					
Trade receivables - outside parties	1,695,118,299	-	-	2,361,291,829	4,056,410,128
Trade receivables - related parties	68,830,272	-	-	-	68,830,272
Others*	62,399,202	-	-	5,815,359	68,214,561
Environmental guarantee fund	1,500,000	-	-	-	1,500,000
Investment in sinking fund	460,234,017	-	-	-	460,234,017
Total	₱7,028,827,189	₱-	₱-	₱2,367,107,188	₱9,395,934,377

*excludes advances to contractors

	2014				Total
	Neither Past Due nor Impaired		Substandard Grade	Past due and/or Individually Impaired	
	Grade A	Grade B			
Cash in banks and cash equivalents	₱3,677,533,204	₱-	₱-	₱-	₱3,677,533,204
Receivables:					
Trade receivables - outside parties	910,610,951	-	-	3,558,909,562	4,469,520,513
Trade receivables - related parties	67,121,866	-	-	-	67,121,866
Others*	74,923,989	-	-	5,815,359	80,739,348
Environmental guarantee fund	1,500,000	-	-	-	1,500,000
Investment in sinking fund	521,780,873	-	-	-	521,780,873
Total	₱5,253,470,883	₱-	₱-	₱3,564,724,921	₱8,818,195,804

*excludes advances to contractors



Cash in banks and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top ten (10) banks in the Philippines in terms of resources and profitability. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency. Trade receivable - related parties are considered Grade A due to the Group's positive collection experience. Environmental guarantee fund is assessed as Grade A since this is deposited in a reputable bank, which has a low probability of insolvency.

Grade A are accounts considered to be of high credit rating and are covered with coal supply and power supply contracts. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Grade B accounts are active accounts with minimal instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The Group determines financial assets as impaired when probability of recoverability is remote evidenced by the counterparty's financial difficulty.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. Accounts under this group show possible future loss to the Group as a result of default in payment of the counterparty despite of the regular follow-up actions and extended payment terms.

In the Group's assessment, there are no financial assets that will fall under the category substandard grade due to the following reasons:

- Receivables from electricity and local coal sales - transactions are entered into with reputable and creditworthy companies.
- Receivables from export coal sales - covered by irrevocable letter of credit at sight from a reputable bank acceptable to the Group.

As of December 31, 2015 and 2014, the aging analyses of the Group's past due and/or impaired receivables presented per class are as follows:

	2015			
	Past Due but not Impaired		Impaired Financial Assets	Total
	<45 days	45-135 days		
<i>Receivables</i>				
Trade receivables - outside parties	₱484,664,904	₱454,301,298	₱1,422,325,637	₱2,361,291,839
Others	-	-	5,815,359	5,815,359
Total	₱484,664,904	₱454,301,298	₱1,428,140,996	₱2,367,107,198
	2014			
	Past Due but not Impaired		Impaired Financial Assets	Total
	<45 days	45-135 days		
<i>Receivables</i>				
Trade receivables - outside parties	₱1,979,168,913	₱1,082,566,767	₱497,173,882	₱3,558,909,562
Others	-	-	5,815,359	5,815,359
Total	₱1,979,168,913	₱1,082,566,767	₱502,989,241	₱3,564,724,921



Capital management

The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

No changes were made in the objectives, policies and processes from the previous years.

The Group manages its capital using Debt-to-equity ratio, which is interest-bearing loans divided by equity, and EPS. The following table shows the Group's capital ratios as of December 31, 2015 and 2014.

	2015	2014
Interest-bearing loans	₱19,543,609,597	₱19,421,363,183
Total equity	26,901,082,159	22,706,211,516
Debt-to-equity ratio	72.65%	85.53%
EPS (Note 26)	₱7.94	₱6.42

The Debt-to-equity ratio is carefully matched with the strength of the Group's financial position, such that when a good opportunity presents itself, the Group can afford further leverage.

The following table shows the component of the Group's capital as of December 31, 2015 and 2014:

	2015	2014
Total paid-up capital	₱7,744,277,411	₱7,744,277,411
Remeasurement losses on pension plan	(30,509,775)	(13,471,337)
Retained earnings - unappropriated	13,887,314,523	12,675,405,442
Retained earnings - appropriated	5,300,000,000	2,300,000,000
	₱26,901,082,159	₱22,706,211,516

30. Fair Values

Fair Value Information

Cash and cash equivalents, receivables, environmental guarantee fund, investment in sinking fund, trade payables, accrued expenses and other payables, and short-term loans carrying amounts approximate fair value. Most of these financial instruments are relatively short-term in nature.

Long-term debt

The carrying values approximated the fair value because of recent and regular repricing of interest rates (e.g. monthly, quarterly, semi-annual or annual basis) based on current market conditions. As of December 31, 2015 and 2014, interest rate ranges from 1.44% to 1.66%.



Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of December 31, 2015 and 2014, the Group does not have financial instruments measured at fair value.

31. Notes to Consolidated Statements of Cash Flow

Supplemental disclosure of noncash investing and financing activities follows:

	2015	2014	2013
Depreciation capitalized as exploration and evaluation asset (Note 8)	₱534,556,678	₱248,799,589	₱49,421,284
Additions and adjustments to provision for decommissioning and site rehabilitation (Note 15)	342,006,100	10,819,948	133,188,944
Depreciation capitalized as coal inventory (Note 8)	112,122,124	39,109,356	121,831,125
Application of creditable withholding tax to income tax payable	328,897,624	-	11,691,929

32. Operating Segments

Segment Information

For management purposes, the Group is organized into business units based on their products and activities. Segment revenues, cost and operating expenses, profit or loss, segment assets and segment liabilities assume measurement under PFRS. Reportable operating segments are as follows:

- Mining - engaged in surface open cut mining of thermal coal;
- Power - involved in generation of energy available for sale thru bilateral contracts, electricity markets and trading; and
- Others - other investing activities.

No operating segments have been aggregated to form the above reportable operating segments.



The chief operating decision maker (CODM) monitors the operating results of the Group for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, operating profit and pretax income which are measured similarly in the consolidated financial statements. Transactions between operating segments are made at terms and prices agreed upon by the parties.

2015 (In thousands)					
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	P11,781,825	P12,898,346	P-	P-	P24,680,171
Inter-segment sales	4,591,200	-	-	(4,591,200)	-
	16,373,025	12,898,346	-	(4,591,200)	24,680,171
Cost of sales	(7,789,341)	(5,408,565)	-	4,506,207	(8,691,699)
Depreciation and amortization	(844,047)	(1,006,346)	-	-	(1,850,393)
Gross profit	7,739,637	6,483,435	-	(84,993)	14,138,079
Operating expenses	(2,300,077)	(2,028,726)	(949)	-	(4,329,752)
Loss on property, plant and equipment writedown	(16,088)	-	-	-	(16,088)
Depreciation	(19,964)	(23,282)	-	-	(43,246)
Operating profit	5,403,508	4,431,427	(949)	(84,993)	9,748,993
Other income	1,748,341	192,255	83	(1,500,000)	440,679
Finance income	22,519	35,011	35	-	57,565
Foreign exchange loss	(327,979)	27,923	-	-	(300,056)
Finance costs	(129,647)	(148,541)	-	-	(278,188)
Provision for (benefit from) income tax	(37,781)	1,220,137	(272)	-	1,182,084
Net income	P6,754,523	P3,317,938	(P559)	(P1,584,993)	P8,486,909
Segment assets	P33,060,935	P41,828,804	P133,732	(P18,401,978)	P56,621,493
Deferred tax assets	109,969	425,225	351	-	535,545
	P33,170,904	P42,254,029	P134,083	(P18,401,978)	P57,157,038
Segment liabilities	P9,248,213	P6,469,462	P129,754	(P2,142,083)	P13,705,346
Long-term debt	3,215,734	13,334,874	-	-	16,550,608
	P12,463,947	P19,804,336	P129,754	(2,142,083)	P30,255,954
Cash flows arising from:					
Operating activities	P6,544,367	P4,623,663	P29,786	(P513,946)	P10,683,870
Investing activities	(2,243,856)	(2,696,035)	(29,684)	(146,053)	(5,115,628)
Financing activities	(3,512,173)	(1,615,610)	-	660,000	(4,467,783)
Other disclosures					
Capital expenditures	P3,367,945	P2,430,231	P-	P-	P5,798,176
Provision for inventory obsolescence	20,902	-	-	-	20,902



2014 (In thousands)					
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱16,276,930	₱12,308,411	₱-	₱-	₱28,585,341
Inter-segment sales	2,629,502	-	-	(2,629,502)	-
	18,906,432	12,308,411	-	(2,629,502)	28,585,341
Cost of sales	(11,076,242)	(8,424,654)	-	2,654,902	(16,845,994)
Depreciation and amortization	(1,155,162)	(926,330)	-	-	(2,081,492)
Gross profit	6,675,028	2,957,427	-	25,400	9,657,855
Operating expenses	(2,228,618)	(940,403)	(211)	-	(3,169,232)
Loss on property, plant and equipment writedown	-	(111)	-	-	(111)
Depreciation	(24,363)	(27,293)	-	-	(51,656)
Operating profit	4,422,047	1,989,620	(211)	25,400	6,436,856
Other income	3,592,010	113,478	-	(3,500,000)	205,488
Finance income	15,458	25,946	48	-	41,452
Foreign exchange loss	(61,847)	9,706	-	-	(52,141)
Finance costs	(119,938)	(203,290)	-	-	(323,228)
Provision for (benefit from) income tax	81,511	(634,326)	(52)	-	(552,867)
Net income	₱7,766,219	₱2,569,786	(₱111)	(₱3,474,600)	₱6,861,294
Segment assets	₱29,956,474	₱39,771,050	₱103,946	(₱18,634,289)	₱51,197,181
Deferred tax assets	61,327	642,805	63	-	704,195
	₱30,017,801	₱40,413,855	₱104,009	(₱18,634,289)	₱51,901,376
Segment liabilities	7,840,237	6,352,534	99,121	(3,299,337)	10,992,555
Long-term debt	3,933,732	14,268,877	-	-	18,202,609
	11,773,969	20,621,411	99,121	(3,299,337)	29,195,164
Cash flows arising from:					
Operating activities	₱10,641,091	₱4,723,833	₱60,719	(₱3,500,000)	₱11,925,643
Investing activities	(4,836,221)	(7,846,199)	(60,524)	2,071,680	(10,671,264)
Financing activities	(5,622,727)	1,806,248	-	1,428,320	(2,388,159)
Other disclosures					
Capital expenditures	₱3,031,944	₱7,956,352	₱-	₱-	₱10,988,296
Reversal of inventory obsolescence	(12,154)	-	-	-	(12,154)



2013 (In thousands)

	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱12,573,569	₱14,757,590	₱-	₱-	₱27,331,159
Inter-segment sales	4,103,853	-	-	(4,103,853)	-
	16,677,422	14,757,590	-	(4,103,853)	27,331,159
Cost of sales	(10,552,696)	(4,999,756)	-	4,131,777	(11,420,675)
Depreciation and amortization	(1,179,870)	(1,509,951)	-	-	(2,689,821)
Gross profit	4,944,856	8,247,883	-	27,924	13,220,663
Operating expenses	(1,686,861)	(1,967,466)	(200)	-	(3,654,527)
Loss on property, plant and equipment writedown	-	(1,559,385)	-	-	(1,559,385)
Depreciation	(28,020)	(22,584)	-	-	(50,604)
Operating profit	3,229,975	4,698,448	(200)	27,924	7,956,147
Other income	2,577,903	203,180	126	(2,500,000)	281,209
Finance income	1,889	24,839	77	-	26,805
Foreign exchange gain	(463,938)	(17,239)	-	-	(481,177)
Finance costs	(152,628)	(228,601)	-	-	(381,229)
Provision for income tax	(131,452)	13,613	1	-	(117,838)
Net income	₱5,324,653	₱4,667,014	₱2	(₱2,472,076)	₱7,519,593
Segment assets	₱12,363,065	₱33,386,629	₱46,356	(₱1,208,617)	₱44,587,433
Deferred tax assets	135,182	4,743	33	-	139,958
	₱12,498,247	₱33,391,372	₱46,389	(₱1,208,617)	₱44,727,391
Segment liabilities	₱6,186,795	₱3,736,745	₱38,330	(₱1,170,637)	₱8,791,233
Long-term debt	4,790,698	11,017,949	-	-	15,808,647
	₱10,977,493	₱14,754,694	₱38,330	(₱1,170,637)	₱24,599,880
Cash flows arising from:					
Operating activities	₱6,061,170	₱6,593,511	(₱18)	-	₱12,654,663
Investing activities	(2,183,859)	(6,656,038)	(37,963)	-	(8,877,860)
Financing activities	(3,056,366)	3,554,835	-	-	498,469
Other disclosures					
Capital expenditures	₱1,747,122	₱7,150,621	₱-	₱-	₱8,897,743
Reversal of allowance for doubtful accounts	29,743	413,907	-	-	443,650
Provision for impairment losses	4,120	-	-	-	4,120
Reversal of impairment losses	(61,549)	-	-	-	(61,549)

1. Intersegment revenues, other income, cost and expenses are eliminated in the consolidation under adjustments and eliminations.
2. Segment assets exclude deferred tax assets amounting to ₱535.54 million, ₱704.20 million and ₱139.96 million in 2015, 2014 and 2013, respectively.
3. Significant noncash items charged to comprehensive income include loss on property, plant and equipment writedown and depreciation and amortization.
4. Capital expenditures consist of additions of property, plant and equipment.
5. All noncurrent assets other than financial instruments are located in the Philippines.

Geographic Information

Revenues from external customers

The financial information about the operation of the Group as of December 31, 2015, 2014 and 2013 reviewed by the management follows:

	2015	2014	2013
Revenue:			
Local coal sales	₱5,862,246,658	₱4,925,268,912	₱5,287,388,411
Export coal sales	5,919,578,510	11,351,660,886	7,286,180,834
	₱11,781,825,168	₱16,276,929,798	₱12,573,569,245



Substantially all revenues from external customer are from open cut mining and sales of thermal coal. Local and export classification above is based on the geographic location of the customer. Customers on the export sales are significantly to China.

All revenues from power are derived from the Philippine market.

33. Other Matters

a. Electric Power Industry Reform Act (EPIRA)

In June 2001, the Congress of the Philippines approved and passed into law R.A. No. 9136, otherwise known as the EPIRA, providing the mandate and the framework to introduce competition in the electricity market. EPIRA also provides for the privatization of the assets of NPC, including its generation and transmission assets, as well as its contract with Independent Power Producers (IPPs). EPIRA provides that competition in the retail supply of electricity and open access to the transmission and distribution systems would occur within three years from EPIRA's effective date. Prior to June 2002, concerned government agencies were to establish WESM, ensure the unbundling of transmission and distribution wheeling rates and remove existing cross subsidies provided by industrial and commercial users to residential customers. The WESM was officially launched on June 23, 2006 and began commercial operations for Luzon. The ERC has already implemented a cross subsidy removal scheme. The inter-regional grid cross subsidy was fully phased-out in June 2002. ERC has already approved unbundled rates for Transmission Company (TRANSCO) and majority of the distribution utilities.

Under EPIRA, NPC's generation assets are to be sold through transparent, competitive public bidding, while all transmission assets are to be transferred to TRANSCO, initially a government-owned entity that was eventually being privatized. The privatization of these NPC assets has been delayed and is considerably behind the schedule set by the DOE. EPIRA also created PSALM, which is to accept transfers of all assets and assume all outstanding obligations of NPC, including its obligations to IPPs. One of PSALM's responsibilities is to manage these contracts with IPPs after NPC's privatization. PSALM is also responsible for privatizing at least 70% of the transferred generating assets and IPP contracts within three years from the effective date of EPIRA.

In August 2005, the ERC issued a resolution reiterating the statutory mandate under the EPIRA law for the generation and distribution companies, which are not publicly listed, to make an initial public offering (IPO) of at least 15% of their common shares. Provided, however, that generation companies, distribution utilities or their respective holding companies that are already listed in the Philippine Stock Exchange (PSE) are deemed in compliance. SCPC was already compliant with this requirement given that the Parent Company is a publicly listed company.

WESM

With the objective of providing competitive price of electricity, the EPIRA authorized DOE to constitute an independent entity to be represented equitably by electric power industry participants and to administer and operate WESM. WESM will provide a mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity.



In addition, the DOE was tasked to formulate the detailed rules for WESM which include the determination of electricity price in the market. The price determination methodology will consider accepted economic principles and should provide a level playing field to all electric power industry participants. The price determination methodology was subject to the approval of the ERC.

In this regard, the DOE created Philippine Electricity Market Corporation (PEMC) to act as the market operator governing the operation of WESM. On June 26, 2006, WESM became operational in the Luzon grid and adopts the model of a "gross pool, net settlement" electricity market.

b. Power Supply Agreement with Manila Electric Company (MERALCO)

On December 20, 2011, SCPC entered into a new power supply agreement with MERALCO, a distributor of electric power, which took effect on December 26, 2011 and shall have a term of seven (7) years extendable upon mutual agreement by the parties for another three (3) years.

SCPC will be providing MERALCO with an initial contracted capacity of 210 MW and will be increased to 420 MW upon the commercial operation of the plant's Unit 1.

On March 12, 2012, MERALCO filed an application for the *Approval of the Power Supply Agreement (PSA) between MERALCO and SCPC, with a Prayer for Provisional Authority*, docketed as ERC Case No. 2011-037 RC.

In the said application, MERALCO alleged and presented on the following: a.) the salient provisions of the PSA; b.) payment structure under the PSA; c.) the impact of the approval of the proposed generation rates on MERALCO's customers; and d.) the relevance and urgent need for the implementation of the PSA.

On December 17, 2012, the Commission (ERC) issued a Decision approving the application with modification. On January 7, 2013, applicant MERALCO filed a Motion for Partial Reconsideration of the ERC Decision dated December 17, 2012 to introduce additional material evidence not available at the time of the filing of the application, in support of the reconsideration of the approved Fixed O&M Fee of P4,785.12/Kw/Year.

c. Dispute Resolution Proceedings with MERALCO (Line Loss Rental)

On August 29, 2013 MERALCO filed a Petition for Dispute Resolution before the Energy Regulatory Commission against SCPC and other generating companies praying for refund of the amount of line loss allegedly collected by the said generating companies corresponding to 2.98% of the NPC-Time of Use (TOU) amounts paid to the generating companies as assignees of the portions of the contracted energy volume under the NPC-MERALCO Transition Supply Contract pursuant to the Orders dated March 4, 2013 and July 1, 2013 issued by the ERC in ERC Case No. 2008-083MC. The total amount claim by MERALCO against SCPC ₱265.54 million representing line loss amounts allegedly received by SCPC beginning 2009.

The ERC issued an Order dated September 10, 2013 for the generating companies to file comments on MERALCO's Petition and set the hearing on October 17, 2013.



On September 20, 2013, the generating companies filed a Joint Motion to Dismiss arguing that MERALCO's Petition failed to state a cause of action and the ERC has no jurisdiction over the subject matter of the case.

On September 25, 2013, the ERC directed MERALCO to file its comments on the Joint Motion to Dismiss. The ERC likewise set the hearing on the Joint Motion to Dismiss on October 14, 2013.

On October 14, 2013 during the hearing on the Joint Motion to Dismiss, ERC directed MERALCO to furnish the generating companies of its Comment and Pre-Trial Brief; granted MERALCO a period of three (3) days from receipt of the generating companies Reply within which to file a Rejoinder; granted the generating companies a period of five (5) days from receipt of MERALCO's Rejoinder to file a Sur-Rejoinder. The ERC denied the generating companies prayer to hold in abeyance the conduct of the initial hearing on October 17, 2013 and shall proceed on said date only insofar as the jurisdictional hearing is concerned without prejudice to the ERC's resolution of the Joint Motion to Dismiss.

The generating companies' Joint Motion to Dismiss has been submitted for resolution. As of December 31, 2015 the Joint Motion to Dismiss has yet to be resolved.

d. Clean Air Act

On November 25, 2000, the Implementing Rules and Regulations (IRR) of the Philippine Clean Air Act (PCAA) took effect. The IRR contains provisions that have an impact on the industry as a whole and on SCPC in particular, that need to be complied within 44 months (or until July 2004) from the effectivity date, subject to the approval by DENR. The power plant of SCPC uses thermal coal and uses a facility to test and monitor gas emissions to conform with Ambient and Source Emissions Standards and other provisions of the Clean Air Act and its IRR. Based on SCPC's initial assessment of its power plant's existing facilities, SCPC believes that it is in full compliance with the applicable provisions of the IRR of the PCAA.

e. Contract for the Fly Ash of the Power Plant

On October 20, 1987, NPC and Pozzolanic Australia Pty, Ltd. ("Pozzolanic") executed the Contract for the Purchase of Fly Ash of the Power Plant (the "Pozzolanic Contract"). Under the Pozzolanic Contract, Pozzolanic was given the right to sell, store, process, remove or otherwise dispose of all fly ash produced at the first unit of the Power Plant. It was also granted the first option to purchase fly ash, under similar terms and conditions, from the second unit of the Power Plant that NPC may construct. It may also exercise the exclusive right of first refusal to purchase fly ash from any new coal-fired power plants which will be put up by NPC.

The Pozzolanic Contract is effective for a period of five consecutive five-year terms from its signing, or a period of 25 years from October 20, 1987 or until 2012, subject to cancellation by NPC upon default or any breach of contract by Pozzolanic. At the end of each five-year term, the parties will agree to assess and evaluate the Pozzolanic Contract, and if necessary, revise, alter, modify the same upon their mutual consent.



The Philippine Government has determined the provision of the Pozzolanic Contract which grants Pozzolanic the exclusive right of first refusal to purchase fly ash from the second unit of the Power Plant and from any coal-fired power plant put up by NPC after the execution of the Pozzolanic Contract as invalid. This is the subject of a case filed by Pozzolanic and pending before the regional trial court of Quezon City as of December 31, 2011.

On April 30, 2012, the SCPC as new owner of the Power Plant and Pozzolanic sealed a new contract valid and effective for a period of fifteen (15) years beginning February 1, 2012. Pozzolanic, as agreed, shall purchase One Hundred (100 %) percent of fly ashes produced or generated by the Power Plant.

f. Temporary Restraining Order on MERALCO

On December 23, 2013, the Supreme Court (SC) issued a temporary restraining order (TRO) to MERALCO enjoining it from increasing the generation rates it charges to its consumers arising from the increased generation costs from its suppliers for the supply month of November 2013. The said TRO also enjoined the Energy Regulatory Commission (ERC) from implementing its December 9, 2013 Order authorizing MERALCO to stagger the collection of its increased generation costs for the supply month of November 2013. The TRO was for a period of 60 days from December 23, 2013 to February 21, 2014.

On January 10, 2014, the SC impleaded MERALCO's suppliers of generation costs, including PEMC, the operator of the wholesale electricity supply market (WESM), as parties-respondents in the cases.

On February 18, 2014, the SC extended the TRO for another 60 days up to April 22, 2014.

On April 24, 2014, the SC issued a resolution and corresponding TRO, extending indefinitely the TRO issued on December 23, 2013 and February 18, 2014.

As a result of the TRO, MERALCO has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs, including PEMC.

On March 11, 2014, the ERC released its ERC Order (Case No 2014-021MC, dated March 3, 2014) voiding the Luzon WESM prices during the November and December 2013 supply months and declaring the imposition of regulated prices in lieu thereof. PEMC was hereby directed within 7 days from receipt of the Order to calculate these regulated prices and implement the same in the revised WESM bills of the concerned distribution utilities in Luzon for the November and December 2013 supply months for their immediate settlement, except for MERALCO whose November 2013 WESM bill shall be maintained in compliance with the TRO issued by the SC.

Several generation companies and distribution companies filed their respective Motions for Reconsideration of the March 3, 2014 ERC Order. The SCPC filed its Motion for Reconsideration with Motion for Deferment of implementation of the Order dated March 3, 2014 on March 31, 2014. The said Motions were set for hearing on April 28, 2014.



In the meantime, PEMC issued the adjusted WESM bills to the market participants, including the SCPC. In an Order dated March 27, 2014, the ERC directed PEMC to provide the market participants an additional period of 45 days from receipt of the Order within which to comply with the settlement of the adjusted WESM bills in view of the pendency of the various submissions before the ERC.

During the hearing held on April 28, 2014, the ERC directed the parties to submit their respective memoranda by May 2, 2014. In compliance with the directive, SCPC filed a Manifestation on May 2, 2014 that it is adopting its Motion for Reconsideration in lieu of filing a Memorandum. In an Order dated October 15, 2014, the ERC denied SCPC's Motion for Reconsideration.

On December 11, 2014, SCPC filed a Petition for Review with Prayer for Issuance of Temporary Restraining Order and/or Writ of Injunction with the Court of Appeals seeking reversal of the ERC Orders dated March 3, 2014 and October 15, 2014. In a resolution dated April 30, 2015, the SCPC's Petition was consolidated with other related cases filed by other generation companies before the Court of Appeals. PEMC and ERC filed their respective Consolidated Comments on the consolidated Petitions to which the SCPC filed its Reply.

MERALCO filed its Consolidated Motion for Leave to Intervene with Opposition to Prayers for issuance of Temporary Restraining Order and/or Writ of Injunction. SCPC filed its Comment to MERALCO's Consolidated Motion on November 2, 2015.

The Court of Appeals is yet to resolve MERALCO's Consolidated Motion and the consolidated Petitions.

Pending the finality of the ERC Order dated March 3, 2014 on recalculation of the WESM prices for the November and December 2013 supply months and its effect on each generation company that trade in the WESM, the SCPC estimated its exposure to the said ERC order. Please see judgments and estimates in Note 3 and the related disclosures on allowance for doubtful accounts in Note 5. In relation to the ERC Order, SCPC entered into a special payment arrangement with PEMC for the payment of the customer's reimbursement, through PEMC, in excess of the regulated price for the purchases through spot market in November and December 2013. The payments are over 24 month of which, as of December 31, 2015, ₱533.72 million was paid, and the remaining ₱140.28 million is payable in the remaining months.





Building a better
working world

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Semirara Mining and Power Corporation
2nd Floor, DMCI Plaza Building
2281 Pasong Tamo Extension
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Semirara Mining and Power Corporation and its subsidiaries (the Group) as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, included in this Form 17-A, and have issued our report thereon dated February 23, 2016. Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule No. 68, As Amended (2011) and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.


Cyril Jaramin B. Valencia

Partner

CPA Certificate No. 90787

SEC Accreditation No. 1229-AR-1 (Group A),

May 12, 2015, valid until May 11, 2018

Tax Identification No. 162-410-623

BIR Accreditation No. 08-001998-74-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 5321703, January 4, 2016, Makati City

February 23, 2016



**SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES**

SUPPLEMENTARY SCHEDULES

- Report of Independent Auditors' on supplementary schedules
- Reconciliation of retained earnings available for dividend declaration (Part 1, 4C; Annex 68-C)
- Schedule of financial soundness indicators (Part 1, 4D)
- Supplementary schedules required by Annex 68-E
- Map of the relationships of the companies within the group (Part 1, 4H)
- Schedule of all the effective standards and interpretations (Part 1, 4J)



SEMIRARA MINING AND POWER CORPORATION
SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2015

Unappropriated Retained Earnings, beginning		P8,215,449,171
Adjustments:		
PAS 19R - transition adjustment		3,024,550
Deferred tax asset that reduced the amount of income tax expense of prior periods		(61,327,013)
Unappropriated retained earnings, as adjusted to available for dividend distribution, as at December 31, 2014		8,157,146,708
Net income actually earned/realized during the period:		
Net income during the period closed to retained earnings	P6,754,522,918	
Less: Non actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized actuarial gain	-	
Fair value adjustment (M2M gains)	-	
Fair value adjustment of Investment Property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP-gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Deferred tax asset that reduced the amount of income tax expense	(41,614,013)	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP-loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	105,903,473	
Net income actually earned during the period	6,818,812,378	
Add (Less):		
Dividend declarations during the period	(4,275,000,000)	
Appropriations of retained earnings during the period	(3,000,000,000)	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	-	(456,187,622)
TOTAL RETAINED EARNINGS, END		P7,700,959,086
AVAILABLE FOR DIVIDEND DECLARATION		P7,700,959,086



SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2015 and 2014:

Financial ratios		2015	2014
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.97:1	1.04:1
Quick ratio	$\frac{\text{Current assets less inventories}}{\text{Current liabilities}}$	0.69:1	0.81:1
Solvency ratio	$\frac{\text{Net income plus depreciation}}{\text{Total liabilities}}$	0.34:1	0.30:1
Debt to equity ratio	$\frac{\text{Interest-bearing loans}}{\text{Total equity}}$	0.73:1	0.86:1
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	2.12:1	2.29:1
Inventory turnover	$\frac{\text{Total equity}}{\text{Cost of sales}}$	2.94:1	5.10:1
Accounts receivable turnover ratio	$\frac{\text{Average inventory}}{\text{Net credit sales}}$	7.14:1	7.00:1
Interest rate coverage	$\frac{\text{Average accounts receivable}}{\text{EBIT}^*}$	35.76:1	10.60:1
Return on assets	$\frac{\text{Interest expense}^{**}}{\text{Net income}}$	0.16:1	0.14:1
Return on equity	$\frac{\text{Average total assets}}{\text{Net income}}$	0.34:1	0.32:1
Gross Margin ratio	$\frac{\text{Average total equity}}{\text{Gross profit}}$	0.57:1	0.34:1
Net profit margin ratio	$\frac{\text{Sales}}{\text{Net income}}$	0.34:1	0.24:1

* *Earnings before interest and taxes (EBIT)*

** *Includes interest capitalized as part of asset*



SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

DECEMBER 31, 2015

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
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NOT APPLICABLE



SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2015

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
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Not applicable. The Group's receivables from officers and employees pertain to ordinary purchases subject to usual terms, travel and expense advances and other transactions arising from the Group's ordinary course of business.



SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING
THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2015

Name of Subsidiaries	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Sem-Calaca Power Corporation	₱3,128,730,827	₱5,035,835,046	(₱6,485,095,461)	₱-	₱1,679,470,412	₱-	₱1,679,470,412
SEM - Cal Industrial Park Developers, Inc.	90,180	37,110	-	-	127,290	-	127,290
Southwest Luzon Power Generation Corporation	6,850,503	279,780,805	-	-	286,631,308	-	286,631,308
SEM-Balayan Power Generation Corporation	201,837	31,100	-	-	232,937	-	232,937
St. Raphael Power Generation Corporation	2,029,319	4,020,366	-	-	6,049,685	-	6,049,685
Semirara Energy Utilities, Inc.	210,663	226,461	-	-	437,124	-	437,124
Semirara Claystone, Inc.	98,904,304	30,645,178	-	-	129,549,482	-	129,549,482
	₱3,237,017,633	₱5,350,576,066	(₱6,485,095,461)	₱-	₱2,102,498,238	₱-	₱2,102,498,238



SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE D: INTANGIBLE ASSETS

DECEMBER 31, 2015

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Charged to other accounts	Other changes	Ending balance
Software cost	₱4,225,881	₱2,803,293	(₱2,252,917)	₱-	₱-	₱4,776,257
Capitalized development cost	98,486,533	29,684,305	-	-	-	128,170,838
	₱102,712,414	₱32,487,598	(₱2,252,917)	₱-	₱-	₱132,947,095



SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

**SCHEDULE E: LONG TERM DEBT
DECEMBER 31, 2015**

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Maturity date	Number of periodic installments	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
Mortgage payable	₱9.60 million	PDST-F benchmark yield for 3-month treasury securities + 1.75%	May 2017	Payable in twenty-five (25) equal consecutive quarterly installments commencing on May 2011	₱1,530,478,240	₱767,281,099
Mortgage payable	₱5.70 million	PDST-F benchmark yield for 3-month treasury securities + 1.00%	May 2022	Payable in twenty-five (27) equal consecutive quarterly installments commencing on November 24, 2015	1,693,555,857	9,343,559,009
Bank loans	\$9.31 million loan (USD)	Floating rate to be repriced every 3 months	December 2016	Interest payable every 3 months, principal to be paid on maturity date	438,116,431	-
Bank loans	\$28.00 million loan (USD)	Floating rate to be repriced every 3 months	December 2016	Interest payable every 3 months, principal to be paid on maturity date	1,317,680,000	-
Bank loans	\$1.61 million loan (USD)	Floating rate to be repriced every 3 months	December 2016	Interest payable every 3 months, principal to be paid on maturity date	75,958,914	-
Bank loans	\$29.41 million loan (USD)	Floating rate to be repriced every 3 months	December 2016 and June 2018	Interest payable every 3 months, principal to be paid on maturity date	134,937,958	1,249,041,095
					₱5,190,727,400	₱11,359,881,203



SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2015

Name of related party	Balance at beginning of period	Balance at end of period
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Not applicable. There are no indebtedness to related parties that are noncurrent.



SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2015

Name of issuing entity of securities guaranteed by the company for which this statements is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee
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NOT APPLICABLE



SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE H: CAPITAL STOCK

DECEMBER 31, 2015

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	3,000,000,000	1,068,750,000	-	732,768,126	7,161,152	328,820,722



SEMIRARA MINING AND POWER CORPORATION

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below is the list of all effective Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2015:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2015				
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version): Hedge Accounting		✓	
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PFRS 10 and PAS 28: Investment Entities: Applying consolidation exceptions		✓	
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations		✓	
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
PFRS 13	Fair Value Measurement	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2015				
PFRS 14	Regulatory Deferral Accounts		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Presentation of financial statements disclosure initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 14	Regulatory Deferral Accounts		✓	
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization		✓	
	Amendments to PAS 16 and PAS 41: Bearer Plants		✓	
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments to PAS 21: Net Investment in a Foreign Operation			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements		✓	
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10 and PAS 28: Investment Entities: Applying consolidation exceptions		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non - Financial Assets		✓	
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization		✓	



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2015				
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version): Hedge Accounting		✓	
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants		✓	
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2015				
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non- Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

In addition, the International Accounting Standards Board (IASB) has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Company is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers* (effective January 1, 2018)
- IFRS 16, *Leases* (effective January 1, 2019)

Standards tagged as “Not applicable” have been adopted by the Company but have no significant covered transactions for the year ended December 31, 2015.

Standards tagged as “Not adopted” are standards issued but not yet effective as of December 31, 2015. The Company will adopt the Standards and Interpretations when these become effective.

