COVER SHEET

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SEC Registration Number

SEMIRARA MINING AND POWER
CORPORATION

(Company's Full Name)

2nd Floor DMCI PLAZA
2281 DON CHINO ROCES AVENUE
MAKATI CITY

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

John R. Sadullo	888-3055
(Contact Person)	(Company Telephone Number)

1 2 3 1	17-A	Month Day
(Fiscal Year)	(Form Type)	(Annual Meeting[1])

(Secondary License Type, If Applicable)

CFD	
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

[1] First Monday of May of each year.

SEMIRARA MINING & POWER CORPORATION

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**

SEC
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1. For the fiscal year ended: **December 31, 2014**

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**
Province, Country or other jurisdiction of Incorporation or organization

6. ____________ (SEC Use Only)
Industry Classification Code:

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 Rule17 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	% of Total	Aggregate Market Value
PCD Nominee Corp. (Foreign)	130,581,134	11.22%	₱21,114,969,367.80
Others	198,635,913	18.59%	32,119,427,132.10
TOTAL	329,217,047	30.80%	₱53,234,396,499.90[1]

[1] Computed on the basis of closing price at ₱161.70/share as of March 10, 2015 as quoted by the Philippine Stock Exchange.

SEMIRARA MINING AND POWER CORPORATION
SEC FORM 17-A

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SEMIRARA MINING & POWER CORPORATION

NON-FINANCIAL DISCLOSURE REQUIREMENTS

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 2014, volume sold to export market accounted for 59% 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 2014 showed a net decrease of 22% from last due to lower 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 Sport Market (WESM) or the spot market. Total contracted energy in 2014 is at 485 MW, of which 420 MW 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 2014, 2013 and 2012, the coal segment, foreign sales accounted for 60%, 44% and 40% of gross coal sales revenues, respectively and around 33%, 23%, 29% 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 executed Second Amendment to Coal Operating Contract. The second amendment amended 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 Saranggani, bringing to five the concession areas where the Company has coal operating contracts.

Currently, the Company has an existing coal supply contract 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 2014, export and local sales registered at 59% and 41% in terms of volume and at 60% and 40% in terms of value, respectively. While in 2013, export and local sales registered at 45% and 55% in terms of volume and 44% and 56% in terms of value, respectively. SCPC was at 14% in 2014 from 25% in 2013. Total sales to power plants registered at 38% from 35% in 2013. 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 do 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;[2] b) Mineral Exploration Permit No. 99-001-VI issued by the DENR renewable every 2 years; c) Environmental Compliance Certificate (ECC) No. 9805-009-302 issued by the DENR effective for the duration of the project; d) Business Permit issued by Caluya, Antique and Makati City; e) Aerodrome Rating Certificate No. 218 issued by the ATO-yearly renewable by site; f) Certificate of Registration of Port Facilities No. 149 until December 31, 2014; and g) DENR Special Land Use Permit No. 6-1-SLUP-OLP002-03152017 until March 15, 2017.

(xi) **Effect of existing or probable governmental regulations on the business.** – None

[2] Extended on May 13, 2008 for 15 years or until July 14, 2027.

(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 2,674 and 2,371 for the years 2014 and 2013, respectively, inclusive of employees based at the Company's head office in Makati. Out of the 2,674 workforce for 2014, 733 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, termination of services of existing employees. The breakdown of the Company's employees according to type, are as follows:

Executive	14
Managers	29
Supervisors	93
Rank and File	597
Total	**733**

On the other hand, in 2014 total number of SCPC workforce is 258, 187 of which are employees of the O&M contractor at SCPC's Calaca Power Plant. In 2013 its workforce were 299. As of 2014, SLPGC workforce total 114, of which 107 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, 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 ₱5.47 million for 2014. 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. ***Building/Offices:***	**Units**		**Units**
Administration Building	1	Motorpool	1
Analab Building	1	MS1 Building	1
Briquetting Building	1	MS2 Building	1
Civil Works Office & Warehouse	1	MS4 Building	1
Coal Power Plant 2x7.5MW	1	MS5 Building	1
Coal Power Plant 1x15MW	1	MS7 Building	1
Coal Silo	4	Oxygen/Acetylene Building	2
Core House	1	Panama Complex	1
CRO Office	1	Pitshop	1
Diesel/Bunker Power Plant	1	Product Office	1
Drilling shop	1	RMO Office	1
Genset Shed at CPP	1	Sand Blasting Plant	1
HRD Office & Library	1	Shipping Office	1
Humic Acid Plant	1	Splicing Building	1
Lime Plant	1	Tire Shop	1
Magazine Building	3	Warehouse	1
Main Workshop	1	Warehouse Auxiliary Building	1
Mayflower Motorpool	1	Washing Plant Office	1

b. ***Housing:***	**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
Altar Boys Quarter	1		

c. ***Others:***	**Units**		**Units**
Classrooms for Bunlao Elem School	6	Messhall at Tabunan	1
Classrooms for Mother School	10	Messhall at waffle crete	1
Classrooms for Semirara High School	12	Mix Commercial Building	3
Classrooms for Tinogboc ElemSchool	15	Multi-purpose Gym	3
Classrooms for Tinogboc HighSchool	4	Multi-purpose Hall at Bunlao	1
Classrooms for Villaresis Elem School	4	Multi-purpose Hall at Phase 1	1
Coast Guard Building	1	Multi-purpose Hall at Phase 4	1
Commissary Building	1	ONB ATM Machine Building	1
Commuter terminal	1	ONB Semirara Branch	1
Covered tennis court	1	Oval at Pinagpala Area	1
Divine Word School of Semirara	5	Pall Water Filtration Plant	1
DWSSI Gym	1	Pottery Building	1
Foodcourt	1	Pump house & landscaping	1
Gantry at Mayflower	1	Semirara Airstrip	1
Gantry at MWS	1	Semirara Library Hub	1
Grotto	1	Semirara Plaza	1
Guadalupe Church	1	Semirara Training Center (STCI)	3
Hangar	4	Sitio Villaresis pier	1
HTPC Convent	1	Slaughter House	1
Ice Plant	1	Slipway	1
Material Recovery Facility	1	SMC Infirmary	1
Messhall 1	1	Smart Site Tower	1
Messhall at Cluter 5	1	Tabunan Hatchery & Laboratory	1
Messhall at Cluter 7	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 ₱ 1.090 billion, ₱1.050 billion, and 1.683 billion for 2014, 2013 and 2012, 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 ₱150.57 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 considerate 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, 2014, 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 a Decision granting the Company's petition in the amount of ₱11,847,055.07 for the month of December 2005. The CIR moved for reconsideration. After the Company filed its comment on November 21, 2009, the CTA on August 10, 2010 issued a Writ of Execution on its decision dated October 15, 2009. The Writ of Execution was served to BIR on August 13, 2010. Notwithstanding this, the Company's tax credit certificate remains pending 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 granted the Company's petition in the amount of ₱15,292,054.91 for the month of January 2007. CIR's Motion for Reconsideration was denied on March 18, 2011. CIR appealed the case to CTA En Banc (CTA EB No. 752) but the CTA En Banc dismissed the CIR's petition for lack of merit. The CIR again 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, to which the Company filed a comment. 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 granted the Company's petitions in the amount of ₱86,108,626.10 for the period covering January 1, 2006 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 was by the CTA *En Banc* on June 22, 2012. The CIR filed a Motion for Reconsideration but was again denied by CTA on September 17, 2012. The CIR elevated the case to the Supreme Court (SC) via a Petition for Review on November 5, 2012, but was denied in a minute resolution dated January 30, 2013. On October 10, 2013 an Entry of Judgment was issued. The Corporation filed its Motion for Issuance of a Writ of Execution with the CTA which was granted on January 21, 2014 and the writ granted on February 18, 2014.

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 grated SMC's petition in the amount of P77,253,245.39 for the periods covering July 1, 2006 to December 31, 2006. The CIR's Motion for Reconsideration was denied on June 3, 2011. The CIR elevated the case to the CTA *En Banc (CTA EB 793)*, but the CTA dismissed the 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. The Corporation filed a Comment on December 28, 2012 to the CIR's Petition. On October 25, 2013, the SC issued a notice grating 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 in the amount of ₱66,685,189.00. The basis of the claim is that since coal is being delivered to the port of Calaca and that the Company is doing business there as shown by the existence of an office; therefore, the situs of taxation is in Calaca. The Company maintains that it is not maintaining an office in the Municipality of Calaca, despite delivery to NPC-Calaca, hence the proper situs of taxation is not in Calaca but in its principal office. The Corporation presented all its witnesses and submitted its formal offer of documentary exhibits. On May 28, 2014, the Court issued its decision denying the Company's install appeal, but required the Municipality of Calaca to make re-assessment to conform with the proper sale allocations in accordance with Art. 243(b) of the IRR of the Local Government Code and its assessment should only be based on the proportion of the coal sales which are consummated in Calaca, Batangas. The Company filed a Petition for Review with the CTA appealing said decision on August 7, 2014. On October 7, 2014, the CTA issued a Resolution directing the parties to file their respective memoranda. After submission of the same, the case will be submitted for resolution.

4. ***Municipality of Caluya, Antique vs. SMC, RTC-Culasi, Branch 13, Civil Case No. C-051 (***Real Property Tax Case). - On February 19, 2008, the Municipality of Caluya Antique filed a case against the Company for enforcement of the compromise agreement submitted to the RTC on November 17, 2003 involving the balance of ₱82,979,702.24 in real property taxes for lots located in Semirara Island. The Company maintains that the Motion for Execution has no legal basis and premature due to a clause in the compromise agreement requiring the parties first determines the correctness of the tax assessments which shall be subject to the verification of the parties. On October 11, 2012, the parties submitted a Compromise Agreement dated July 2, 2012 to the Court for approval. On November 18, 2014, the Court issued its order approving the Compromise Agreement.

5. ***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 against 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 in effect claiming a success fee of ₱1.3 billion (due to increase in coal volume sold to NPC) by the end of 2010. On June 2, 2010, the Company moved for the dismissal for lack of jurisdiction over the case, improper venue in so far as other individual defendants are concerned, and the complaint 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. To date, no action has yet been taken by the Court on said motion.

6. ***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.

7. ***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. After defendants filed their answer, the RTC scheduled the pre-trial conference on February 10, 2014. Plaintiff filed an amended complaint.

8. ***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 likewise dismissed the appeal for lack of merit in its Decision dated December 28, 2012. On February 19, 2013, Bornea moved to reconsider the NLRC decision, but the NLRC in its Resolution dated March 27, 2013 dismissed the motion for lack of merit. Despite this, Bornea filed with the CA a Petition for Certiorari under Rule 65. The same remains pending to date.

9. ***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 P25M 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 Supreme Court 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 injuction. To date, the case remains pending with the Supreme Court and Court of Appeals, respectively.

10. ***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 Withdraw complaint which the court in open court granted with the conformity of the Company. The Company however has yet to receive a formal order on the dismissal of the case.

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-2014, based on the closing price of ₱142.00 is approximately ₱151.76 billion. As of March 10, 2015, the Company's capitalization stood at ₱172.82 billion based on the ₱161.70/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
2015			
Jan-Mar[3]	168.70	141.00	161.70
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
2012			
Jan-Mar	252.00	211.00	244.80
Apr-Jun	257.80	200.00	218.20
Jul-Sep	236.00	214.40	222.00
Oct-Dec	234.00	217.00	233.40

(2) **Holders.** – As of March 10, 2015 the Company has 669 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

[3] As of March 10, 2015.

Common	PCD Nominee Corp. (Filipino)	133,753,261	12.51
Common	Dacon Corporation	130,825,527	12.24
Common	PCD Nominee Corp. (Foreign)	130,581,134	12.22
Common	Others	71,647,479	06.00

Names of Top Twenty (20) Stockholders as of March 10, 2015:

No.	Name of Stockholders	No. of Shares	Percentage[4]
1.	DMCI Holdings, Incorporated	601,942,599	56.32
2.	PCD Nominee Corp. (Filipino)	133,753,261	12.51
3.	Dacon Corporation	130,825,527	12.24
4.	PCD Nominee Corp. (Foreign)	130,581,134	12.22
5.	National Development Company	34,093,974	3.19
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.	Privatization Management Office	2,308,350	0.22
11.	Double Spring Investments Corp.	1,348,992	0.13
12.	Guadalupe Holdings Corporation	1,045,116	0.10
13.	Augusta Holdings, Inc.	760,425	0.07
14.	Berit Holdings Corp.	452,811	0.04
15	Meru Holdings, Inc.	346,800	0.03
16.	Cobankiat, Johnny O.	278,760	0.03
17.	Vendivel, Olga P.	240,000	0.02
18.	Garcia, Jaime B.	120,090	0.01
19.	Windermere Holdings Inc.	105,231	0.01
20.	Fernwood Investments Inc.	84,327	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, 2015:

Title Of Class	Names	No. Of Shares	% of Total
Common	DMCI Holdings, Inc.	601,942,599	56.32
Common	PCD Nominee Corp. (Filipino)	133,753,261	12.51
Common	Dacon Corporation	130,825,527	12.24
Common	PCD Nominee Corp. (Foreign)	130,581,134	12.22

(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	Ma. 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.[5]

[4] Based on the Corporation's issued and outstanding shares recorded with its Stock and Transfer Agent.
[5] See also the beneficial ownership under Part IV(C)(2), pg. 52.

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership			Citizenship	%
		Direct	Indirect[6]	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	116,837	116,873	Filipino	0.01
Common	Herbert M. Consunji	32,280	-	32,280	Filipino	0.01
Common	Victor C. Macalincag	804,890	19,100	823,990	Filipino	0.08
Common	George G. San Pedro	120,090	-	120,090	Filipino	0.01
Common	Rogelio M. Murga	1,010	-	1,010	Filipino	0.00
Common	Ma. Cristina C. Gotianun	357	1,210,104	1,210,461	Filipino	0.11
Common	Ma. Edwina C. Laperal	1,047	1,277,694	1,278,741	Filipino	0.12
Common	Josefa Consuelo C. Reyes	80,300	346,800	427,100	Filipino	0.04
Common	Jaime B. Garcia	144,108	-	144,108	Filipino	0.01
Common	Nena D. Arenas	3,000	-	3,000	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		1,228,770	5,536,027	6,764,797	Filipino	0.63

(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	Record Date	Payment Date
2014	4-29-2014	Cash	₱12.00	5-15-2014	5-28-2014
2014	3-06-2014	Stock	200%	9-08-2014	9-24-2014
2013	4-30-2013	Cash	₱12.00	5-17-2013	5-29-2013

(4) **Recent Sales of Unregistered Securities.** - No unregistered securities were sold in 2014, 2013 and 2012.

PART III - FINANCIAL INFORMATION

A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(YEARS 2011-2014)*

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.

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[6] 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.

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

COMPARATIVE PRODUCTION DATA (in '000, except Strip Ratio)	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 a extended downtime after encountering commissioning problems of the newly installed Distribution Control System (DCS). It is worthy to note, however, that despite the decine 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 fullfill 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 Newcasle prices has 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 occassional 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 milion 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 liabilitie amounted 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. <u>Financial Condition</u>

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, is 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 spareparts 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 enjoy preferentail 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 cashflows 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 of 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 activies, 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 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
(in '000 MTs)

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 is 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
(in GWh)

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 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 are 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 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 yearthus 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 PHP4.71billion, 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. <u>Solvency and Liquidity</u>

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 totalling 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 cashflow 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. <u>Financial Condition</u>

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 spareparts 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 were 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 PHP4.16billion, 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.

VI. PERFORMANCE INDICATORS:

1. **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.
2. **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.
3. **Business Expansion** – The Company enjoys the unique advantage of operating coal-fired power plants using its own coal for fuel. It's integrated business provides more opportunities for synergistic growth, especially with the current investment climate where funding is cheap and power supply is tight.
4. **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.
5. **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.

VII. 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 of 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 2011-2012

I. PRODUCTION AND OPERATIONS

COAL

Total materials moved in 2012 decreased by 9% at 77,072,255 from 85,060,883 bank cubic meters (bcm) last year due to longer hauling cycle and lower operating days. During the year, mining operations were concentrated at the lowest level of the pit, thus resulting to longer hauling cycle. Meanwhile, total rainfall this year of 2,771 mm is 2% lower than last year.

The advance stripping activities in the previous periods benefit the current period's mining operations as activities in 2012 were more focused on coal production rather than overburden stripping. As a result, strip ratio dropped by 15% at 8.66:1 from 10.13:1 last year. This explains the 5% increase in run-of-mine (ROM) coal production at 8,235,875 metric tons (MTs) from 7,840,467 MTs last year, despite the decrease in material movement. Coal recovery improved with the sale of unwashed coal to subsidiary Sem-Calaca Power Generation Corporation (power segment) for the use of its Unit 2. Hence, net total product coal increased by 8% at 7,656,849 MTs from 7,118,460 MTs last year.

Ending inventory increased by 39% at 1,382,607 MTs from beginning inventory of 991,887 MTs also as a result of higher coal recovery.

The table below shows the quarterly comparative production data for 2012 and 2011.

COMPARATIVE PRODUCTION DATA
(in '000, except Strip Ratio)

	Q1 '12	Q2 '12	Q3 '12	Q4'12	YTD '12	Q1 '11	Q2'11	Q3'11	Q4'11	YTD '11	%Inc (Dec)
Total Materials (bcm)	22,303	19,273	15,666	19,830	77,072	26,850	22,294	16,120	19,797	85,061	-9%
ROM Coal (MT)	1,805	2,220	1,739	2,472	8,236	1,822	2,296	1,837	1,887	7,840	5%
Strip Ratio	11.64:1	7.97:1	8.30:1	7.38:1	8.66:1	14.03:1	9.00:1	8.06:1	9.78:1	10.13:1	-15%
Net TPC (MT)	1,651	2,089	1,579	2,337	7,657	1,642	2,149	1,646	1,682	7,118	8%
COAL WASHING											
Washable Coal (MTs)	344	334	358	278	1,314	408	313	434	470	1,625	-19%
Washed Coal (MTs)	206	200	215	167	788	245	188	261	282	975	-19%
%recovery	60%	60%	60%	60%	60%	60%	60%	60%		60%	
Beg. Inventory (MTs)	992	950	963	1,276	992	491	469	74	237	491	102%
End Inventory (MTs)	950	963	1,276	1,383	1,383	469	74	237	992	992	39%

POWER

UNIT 1

When Calaca Power Plant assets were acquired in December 2009, Unit 1 can only generate 160 MW or 53% of its rated capacity using pure Semirara Coal. The rehabilitation of the unit was centered on improving the loading capacity to at least 220 MW or 73% of its rated capacity.

The rehabilitation of the plant started in August 2011 and completed in July 2012. It took more than a year of planning to cover all major repair works. The rehab project suffered delays in the commissioning stage to ensure the safe and reliable operation of the plant. The original equipment manufacturers (OEMs), Foster Wheeler for the boiler and Toshiba for the Turbine/Generator, supervised the repair to commissioning of the Unit. Although delayed, the unit can now load 235 MW or 77% of its rated capacity, an improvement of 24% or 75 MW on pure Semirara Coal.

Generation capacity is low at 20% in the five months of running against 27% last year but the average load is significantly higher at 197 MW against 155 MW. In general, the unit is now better in terms of generation capacity and efficiency.

Unit availability was only 2,697 hours or 31% compared to 54% last year since Unit 1 was down for about 7 months during the current period due to the rehabilitation works. Total energy generated was 531 Gwh or 27% down compared to last year.

UNIT 2

Unit 2 is on its second year of operation after its rehabilitation in the last quarter of 2010.

The unit performed better this year in all aspects of operation compared to last year. Gross generation has increased by 71% or 1,932 Gwh. Unit availability improved from 60% to 88% and force outage was limited to only 12% from 36% last year. Running hours in 2012 is remarkably higher at 7,761 hours than 2011 48% increase.

Loading capacity is limited to 260 MW due to some leaks on two of its high pressure heaters 7 & 8. The average load capacity during the current period is at 249 MW or 20% more than last year.

The table below shows the quarterly comparative plant performance for 2012 and 2011.

COMPARATIVE PLANT PERFORMANCE DATA *YTD'12 vs YTD'11*											
	Q1 '12	Q2 '12	Q3 '12	Q4 '12	YTD '12	Q1 '11	Q2'11	Q3'11	Q4'11	YTD '11	% Inc (Dec)
Gross Generation, *Gwh*											
Unit 1	-	-	128	403	531	243	245	239	-	727	*-27%*
Unit 2	473	478	508	473	1,932	189	395	181	367	1,132	*71%*
Total Plant	473	478	636	876	2,463	432	641	420	367	1,860	*32%*
					-					-	
% Availability											
Unit 1	0%	0%	36%	87%	31%	70%	74%	70%	0%	54%	*-43%*
Unit 2	88%	88%	92%	86%	88%	49%	83%	37%	71%	60%	*48%*
Total Plant	44%	44%	64%	86%	60%	59%	78%	54%	35%	57%	*5%*
Capacity Factor											
Unit 1	0%	0%	19%	61%	20%	0%	0%	36%	0%	28%	*-27%*
Unit 2	72%	72%	77%	72%	73%	29%	60%	27%	56%	43%	*70%*
Total Plant	18%	18%	24%	33%	47%	17%	24%	16%	14%	35%	*32%*

II. MARKET

COAL

Total coal sold in 2012 increased by 10% at 7.18 million MTs compared to 6.52 million MTs in 2011. Q1 2012 sales of 1.67 million MTs was 2% higher than 1.64 million MTs sold in Q1 2011, however, Q2 2012 sales volume of 2.06 million MTs was 18% lower as against 2.52 million MTs in Q2 2011, while Q3 sales continued to drop by 15% at 1.25 million MTs this year from 1.46 million MTs in 2011. Q4 sales recovered with an increase of 145% at 2.21 million MTs from 902 thousand MTs last year.

The table below shows the quarterly comparative coal sales volume data for 2012 and 2011.

COMPARATIVE SALES VOLUME DATA *(in '000 MTs)*													
CUSTOMER	Q1 '12	Q2 '12	Q3 '12	Q4 '12	YTD '12	%	Q1 '11	Q2 '11	Q3 '11	Q4 '11	YTD '11	%	%Inc (Dec)
Power Plants													
Calaca	205	285	545	456	1,492	21%	412	320	420	256	1,408	22%	*6%*
Other PPs	325	382	203	126	1,037	14%	384	325	569	270	1,547	24%	*-33%*
TOTAL PPs	**531**	**667**	**748**	**582**	**2,528**	**63%**	**795**	**645**	**989**	**525**	**2,955**	**72%**	***-14%***
Other Industries													
Cement	272	338	224	220	1,053	15%	187	145	146	182	660	10%	*59%*
Others	98	105	128	98	430	6%	197	60	107	111	475	7%	*-9%*
Total Others	**370**	**443**	**352**	**318**	**1,482**	***21%***	**384**	**205**	**254**	**292**	**1,135**	***17%***	***31%***
TOTAL LOCAL	**901**	**1,110**	**1,100**	**900**	**4,011**	56%	**1,180**	**850**	**1,242**	**818**	**4,090**	63%	***-2%***
EXPORT	771	946	146	1,310	3,173	44%	462	1,665	218	85	2,430	37%	*31%*
GRAND TOTAL	**1,672**	**2,056**	**1,245**	**2,211**	**7,184**	**100%**	**1,641**	**2,516**	**1,460**	**902**	**6,519**	**100%**	***10%***

Sale to power plants decreased by 14% this year at 2.53 million MTs from 2.96 million MTs last year. Although Q1 and Q2 off-take of the power segment were lower this year as compared to last year as rehabilitation of Unit 1 was completed only in Q3, coal off-take increased in the second half. As a result, the power segment's total coal purchases increased by 6% at 1.49 million MTs this year from 1.41 million MTs last year. Meanwhile deliveries to other power plants dropped in the second half, resulting to a 33% drop YoY at 1.04 million MTs this year from 1.55 million MTs in 2011.

On the other hand, with three new customers this year, sales to cement plants increased by 59% at 1.05 million MTs from 660 thousand MTs last year.

The 9% drop in sales to other local customers was mainly caused by weaker purchases by some small traders in Q1 and Q4 this year. Deliveries to other industrial plants totaled to 430 thousand MTs from 475 thousand MTs in 2011.

The increase in sales to cement plants helped offset the decrease in deliveries to power plants and other industrial customers, thus softening the drop in total local sales at 2% to 4.01 million MTs this year from 4.09 million MTs in 2011.

On the other hand, export sales rebounded in Q4, bringing total exports to 3.17 million MTs this year or a 31% growth from last year's 2.43 million MTs.

All supply contracts with the Corporation are already priced at market. As a result, the drop in global coal prices brought down composite average FOB price per MT this year to PHP2,453, a 20% decrease from last year's PHP3,078.

POWER

The power segment's 2012 recorded sales for bilateral contracts increased to 2,007 GWH from 1,553GWh in 2011 or 29% improvement. This mainly came from the contract with MERALCO which was effective since 26 December 2011.

MERALCO is still the single biggest customer of the power segment in 2012, accounting for 80% share of the total energy sales to bilateral contracts. BATELEC I and Trans-Asia accounted for 12% and 6% market share, respectively, the balance is for other small contracts.

Meanwhile, spot market sales dropped by 26% from 472 GWh in 2011 to 348 GWh in 2012. The decrease in spot sales was due to the increase in contracted power which effectively reduced the excess capacity for sale in the spot market.

Total energy sold in 2012 posted at 2,355 GWh 85% directly to the customers through bilateral contracts, and 15% to the spot market. Total energy sales increased by 16% from 2,025 GWh recorded in 2011.

Of the total energy sold, 99% was sourced from the generation of the power plants, while 1% was purchased from the spot market.

Spot market prices in 2012 were more volatile compared to 2011. This is due to the abrupt forced outages and scheduled maintenance of major power plants which decreased the supply in the months of May to July 2012. Also, It was observed that the demand increased by an average of 4% in 2012. These two factors caused the increase of spot prices in the market.

In the last quarter of 2012, spot prices escalated due to the planned outages of Ilijan Block A (600 MW) and Sta. Rita Mod 30 (256 MW) amidst the increased demand as business activities stepped up until Christmas Eve. This situation in the market provided Unit 1 an opportunity to generate more Revenues as power generated during the plant's testing were sold to the spot market.

The table below shows the quarterly comparative sales volume data and composite average price for 2012 and 2011.

COMPARATIVE SALES VOLUME DATA (in GWh)											
CUSTOMER	Q1'12	Q2'12	Q3'12	Q4'12	YTD'12	Q1'11	Q2'11	Q3'11	Q4'11	YTD'11	%Inc (Dec)
Bilateral Contracts	489	427	518	573	2,007	362	457	398	336	1,553	29%
Spot Sales	0.59	1	68	278	347	94	215	75	88	472	-26%
GRAND TOTAL	**489**	**428**	**586**	**851**	**2,354**	**456**	**671**	**474**	**425**	**2,025**	**16%**
Composit Ave Price	**4.14**	**4.41**	**3.79**	**4.19**	**4.12**	**4.58**	**4.79**	**4.51**	**5.12**	**4.75**	**-13%**

III. FINANCE

A. Sales and Profitability

Consolidated Revenues, net of eliminating entries, dropped by 6% YoY at PHP24.15 billion from PHP24.81 billion last year. Although coal sales volume increased, lower composite average price/MT pulled down coal Revenues before elimination to PHP17.63 billion this year from PHP20.06 billion last year. Net of eliminations, Coal Revenues dropped by 11% YoY at PHP14.45 billion from PHP16.20 billion last year. On the other hand, higher energy generation offset the decrease in average price per kwhr caused by the decrease in international coal price index. As a result, energy sales slightly improved by 1% at PHP9.70 billion from PHP9.61 billion last year.

Consolidated Cost of Sales decreased by 12% at PHP14.64 billion from PHP16.66 billion last year. Before elimination, Cost of Coal Sold dropped by 12% at PHP12.33 billion from PHP14.01 billion last year due to lower cost/MT sold. Net of elimination, Cost of Coal Sold likewise dropped by 12% YoY at PHP9.82 billion from PHP11.10 billion. Cost of Coal Sold per MT dropped by 24% compared to last year due mainly to higher units of production and tightening control on some mine overhead costs. This partially offsets the decline in Revenues due to lower average coal prices.

In the same note, power Cost of Energy Sales before elimination reduced by 14% at PHP5.55 billion from PHP6.40 billion last year. Minimal spot purchases for replacement power and lower coal fuel average cost this year accounted for the decrease in cost.

The resulting consolidated Gross Profit increased by 4% at PHP9.51 billion, with the coal power segments each contributing PHP4.63 and PHP4.88 billion, respectively. Last year's consolidated Gross Profit stood at PHP9.15 billion last year, PHP5.10 billion from coal and PHP3.05 billion from power. Consolidated Gross profit margin improved to 39% from 35% last year.

Consolidated Operating Expenses increased by 19% at PHP3.39 billion from PHP2.86 billion last year. Net of eliminating entries, the coal segment's Operating Expenses increased by 9% at PHP2.0 billion from last year's PHP1.84 billion as lower Cost of Sales increased Government Share by 5% at PHP1.56 billion from PHP1.48 billion last year. The power segment's Operating Expenses after elimination also went up by 35% at PHP1.38 billion from PHP1.02 billion last year due to write-down of net book value of replaced major components and parts relative to the rehabilitation of Unit 1 amounting to PHP341 million. The pre-operating Southwest Luzon Power Generation Corp. (SLPGC), a wholly-owned subsidiary of the Corporation incorporated to expand its power capacity with the construction of 2 x 150 MW power plants, incurred PHP21.55 million pre-operating expenses, representing taxes, licenses and fees incurred during the year. Another subsidiary, Sem-Cal Industrial Park Developers, Inc. (SIPDI) and Semirara Claystone Inc. also incurred Pre-operating Expenses of PHP37 thousand and PHP65 thousand during the period, respectively.

Consolidated Forex Gains posted a remarkable PHP391 million as against losses of PHP38.32 million last year. The PHP continued to strengthen against the USD during the year. Since most of its loans are USD-denominated, bulk of this year's Forex Gains is attributed to the coal segment which recognized PHP387.83 million versus last year's Loss of PHP26.01 million. Meanwhile, with minimal Forex exposure, the power segment's Forex Gains registered at PHP3.17 million as against Losses of PHP12.31 million last year.

Lower cash and lower placement interest rates resulted to the decrease in consolidated Finance Income by 39% at PHP82.15 million from PHP134.88 million last year. The coal segment's investible funds reduced after its additional equity infusion of PHP2.5 billion to SLPGC, thus its Finance Income decreased by 83% at PHP13.12 million from PHP79.45 million last year. On the other hand, the power segment's Finance Income increased by 24% at PHP68.95 million from PHP55.43 million due to higher short-term placement income from SLPGC in the first half of 2012 with its higher cash level, coming from the proceeds of the initial drawdown from the project loan facility and equity infusion by the parent, parked in short-term placements.

Consolidated Finance Costs slightly increased by 4% at PHP501.28 million from PHP483.29 million last year. The coal segment's interest-bearing loans increased by 6% at PHP4.91 billion from PHP4.62 billion last year. Although interest rates are lower this year, Finance Costs increased by 17% at PHP122.61 million from PHP104.93 million last year as it only started paying off short-term debts toward the end of the year. Meanwhile, the power segment's total ending interest-bearing loans balance dropped to PHP7.35 billion from PHP8.84 billion last year. Of this amount, P550 million reflects the new availment by SLPGC. With the availment of short-term working capital loans during the year, the power segment's Finance Costs slightly increased at PHP378.67 million from PHP378.36 million last year.

Consolidated Other Income increased by 219% at PHP31-08.40 million from PHP99.91 million generated by the coal segment last year from gain on sale of retired assets. After eliminating the PHP 1.5 billion Dividend Income from the power segment, the coal segment's Other Income this year, increased by 78% at PHP187.63 million from PHP99.91 million last year, included gain on sale of retired assets, sale of electricity and insurance claims. Meanwhile, the power segment's Other Income of PHP131.26 million this year is mainly composed of sale of fly ash.

The resulting consolidated Income Before Tax stood at PHP6.40 billion, with the coal and power segments contributing PHP3.10 billion and PHP3.30 billion, respectively; meanwhile SLPGC registered a loss of 3.56 million. This year's consolidated Income Before Tax posted a 6% growth over last year's PHP6.01 billion.

Both operating business units enjoy Income Tax Holidays (ITH) as Board of Investments (BOI)-registered companies. Moreover, on 20 September 2012, the coal segment received the approval of its BOI registration for Bobog Mine, another mine site to be developed next to the current active Panian mine. The ITH benefit will start upon commercial operation of the new mine. SLPGC's application for BOI registration was also approved during the year. With these tax holidays, consolidated Provision for Income Tax remained minimal at PHP39.45 million this year. In 2011, consolidated Benefit from Income Tax posted at PHP22.17 million. The coal and power segments' tax provision this year stood at PHP1.3 million and PHP28.0 million, respectively.

The resulting consolidated Net Income After Tax posted a 5% growth at PHP6.36 billion from PHP6.031 billion last year. Coal and power segments respectively generated PHP3.10 billion and PHP3.28 billion this year, while SLPGC recorded a net loss of PHP8.0 million. Earnings per Share (EPS) correspondingly increased by 5% at PHP17.85 from PHP16.93 last year.

B. Financial Condition, Solvency and Liquidity

Consolidated cash provided by operating activities this year amounted to PHP.6.72 billion. Consolidated loan availments totaled to PHP4.47 billion. Meanwhile, sale of assets during the year generated PHP127.49 million, while increase in Other Noncurrent Liabilities of PHP57.94 million resulted to a positive impact to the cash flow. With Beginning Cash of PHP5.01 billion, total consolidated Cash available for the period stood at PHP16.38 billion.

Of the available cash, PHP5.15 billion was used to fund major CAPEX; PHP3.8 billion for the power plant expansion under construction in progress, PHP1.15 billion for mining equipment, and PHP237.54 million for the existing power plants.

The Corporation also paid cash dividends of PHP12 per share or a total of PHP4.27 billion
Meanwhile, PHP5.30 billion was spent for debt repayments, PHP2.03 billion for the maturing obligations of power, and PHP3.27 for the coal segment.

Other investing activities during the period also utilized cash, namely, additions to investments and advances amounting to PHP 17.25 million which included investment in sinking fund.
With this year's intensive expenditures, consolidated Ending Cash closed at PHP534.39 billion, a significant 89% drop from last year's PHP5.01 billion due to investments made in the power segment and long-term debt service.

The consolidated current ratio as of end of the current period went down at 0.97x versus 1.25x in 2011 due to reclassification of long-term debt to current portion and short-term refinancing of long-term debt principally from the coal segment, capitalizing the lower LIBOR rate and spreads for USD short-term borrowings coupled with stronger Philippine peso.

C. Financial Condition

Consolidated Total Assets stood at PHP36.19 billion, reflecting a 2% increase from beginning balance of PHP35.63 billion due to acquisition of new mining equipment for refleeting of retired units and rehabilitation of Power Unit 1. After eliminations, the coal and power segments' Total Assets closed at PHP11.37 billion and PHP20.83 billion, respectively. SLPGC, SCI and SIPDI recorded Total Assets of PHP3.97 billion, PHP2.5 million and PHP2.6 million, respectively.

Consolidated Current Assets dropped by 17% to PHP11.71 billion from PHP14.12 billion as at end of 2011. Coal, power, SLPGC, SCI and SIPDI accounted for PHP7.88 billion, PHP3.76 billion, PHP64.19 million, PHP2.5 million and PHP2.57 million, respectively.

Consolidated Cash and Cash Equivalents' 89% decrease to PHP534.39 million from PHP5.01 billion beginning balance mainly accounted for the decrease in consolidated Current Assets. The substantial decrease in Cash is attributable to payment of dividends and payment of Trade and Other Payables, particularly the down payment for the 2 x 150MW power plant expansion.

On the other hand, Net Receivables increased by 11% at PHP3.58 billion from PHP3.22 billion last year mainly from increased receivables of electricity sales and coal export sales towards the end of the year. The coal and power segments Receivables of PHP1.28 billion and PHP2.3 billion, respectively, are mainly trade related.

Consolidated Net Inventories likewise increased by 23% at PHP5.66 billion from PHP4.59 billion as at the end of 2011. The coal segment's ending Inventory of PHP4.54 billion is mainly comprised of cost of ending coal inventory and materials and supplies, while the power segment's Inventory of PHP1.16 billion is mainly comprised of coal inventory and spareparts inventory for corrective, preventive and predictive maintenance program.

Consolidated Other Current Assets increased by 48% at PHP1.94 billion from PHP1.31 billion in 2011. The coal segment's Other Current Assets of PHP1.64 billion is mainly comprised of creditable withholding taxes, advances to suppliers, and pre-paid insurance. The power segment's Other Current Assets of PHP262 million mainly accounted for advances to suppliers and pre-paid insurance.

Consolidated Non-Current Assets grew by 14% at PHP24.47 billion from PHP21.50 billion as at end of 2011. Coal, power, and SLPGC accounted for PHP3.50 billion, PHP17.07 billion, and PHP3.9 billion, respectively.

The increase in consolidated non-current assets is largely attributed to the 10% increase in consolidated net PPE of PHP22.72 billion from PHP20.74 billion in 2011. Down payments were made to suppliers for the expansion of power capacity under SLPGC, while the coal segment also purchased replacement mining equipment for its retired assets. Coal, power, and SLPGC accounted for net PPE of PHP3.39 billion and PHP16.46 billion, and PHP2.88 billion, respectively.

Consolidated Investments posted a minimal increase of 4% at PHP508.04 million from PHP490.79 million beginning balance. This accounts for the sinking fund maintained by the power segment.

Consolidated Deferred Tax Assets of PHP1.54 million accounted for the power segment's provision for decommissioning and site rehabilitation of PHP1.52 million and PHP19.36 thousand NOLCO of Semirara Claystone, Inc., another subsidary of the Corporation. In 2011, consolidated Deferred Tax Assets closed at PHP17.41 million.

Consolidated Other Non-Current Assets increased by 382% to PHP1.24 billion from PHP257.38 million in 2011. This is mainly comprised of advances to contractor, input VAT withheld and pre-paid rent. Coal, power, and SLPGC accounted for Other Non-Current Asset of PHP115 million and PHP94 million, and PHP1.03 billion, respectively.

Consolidated Total Liabilities decreased by 7% at PHP19.29 billion from PHP20.82 billion last year. Coal, power, SLPGC, SCI and SIPDI accounted for PHP9.78 billion, PHP8.31 billion, PHP675 million, PHP44 thousand and PHP67 thousand, respectively.

The drop in Total Liabilities is primarily due to the reduction in Consolidated Total Long-term Liabilities which decreased by 26% at PHP7.12 bilion from PHP9.52 billion in 2011. Coal, power, SLPGC accounted for PHP9.8 billion, PHP9.6 billion, PHP675 million, respectively.

After settlement of the balance of the coal segment’s government share for prior year of P905.0 million and payment of other trade accounts for both coal and power segments, consolidated Trade and Other Payables decreased by 7% at PHP6.81 billion from PHP7.30 billion beginning balance. Coal, power, SLPGC and SIPDI respectively accounted for PHP4.82 billion, PHP1.93 billion, PHP69.98 million, PHP65 thousand and PHP87 thousand of Trade and Other Payables.

Consolidated Current Portion of Long-Term Debt likewise increased by 73% at PHP5.18 billion from PHP2.99 billion as at end of 2011 since majority of the loans availed for CAPEX will mature next year, which recorded a closing balance of PHP3.37 billion and PHP1.51 billion, respectively.

On the other hand, consolidated Total Non-Current Liabilities decreased by 25% at PHP7.12 billion, from PHP9.52 billion in 2011. Coal, power, and SLPGC accounted for PHP1.16 billion, PHP5.35 billion and PHP605 million, respectively.

Consolidated Long-Term Debt decreased by 12% at PHP7.0 billion from PHP9.47 billion beginning balance, primarily due to reclassification to short-term of maturing CAPEX loans of the coal segment and power segment’s debt servicing. This caused the decrease in Total Non-Current Liabilities. Coal, power, and SLPGC accounted for PHP1.12 billion, PHP5.34 billion and PHP547 million, respectively.

Provision for Decommissioning and Site Rehabilitation increased by 31% at PHP62.45 million from PHP47.58 million due to an additional provision made by the coal segment after its contract area was expanded to include portions of Caluya and Sibay islands.

During the year, the Corporation recognized consolidated Pension Liabilty of PHP5.85 million. After dividend payment of PHP4.28 billion and accounting of income generation of PHP6.36 billion, consolidated Stockholders’ Equity increased by 14% at PHP16.89 billion from PHP14.81 billion as at end of 2011.

Debt-to-Equity ratio improved by 18% at 1.14:1 from 1.41:1 as at the start of the year.

VIII. PERFORMANCE INDICATORS:

1. **Earnings per Share** – Despite the drop in global coal prices, the Corporation was able to recognize an increase in profits this year, translating to an improved EPS. Cost management in the coal segment and success in rehabilitating both units of the power segment are factors that paved the way for the Corporation's continued remarkable performance during the year.
2. **Debt-to-Equity Ratio** – The Corporation's healthy balance sheet allowed it to pay off debts. Hence despite incurring an additional PHP 550 million loan for the expansion of the power capacity, DE improved as at the end of the year. The Corporation’s strong financial condition enables it to enjoy the best commercial terms for its financing requirements.
3. **Business Expansion** – Taking an extra step in its forward integration to the power business, the Corporation started with its expansion plans to put up another 2 x 150 MW power plants during the year. This will further maximize the value of its coal reserves as these plants are designed to use unwashed coal, thus improving coal recovery.
4. **Expanded Market** – The successful breakthrough in the export market in 2007 paved way for the increased acceptance of Semirara coal amongst local users. The thrust of the Corporation now is to further develop its local market, and slowly displace export sales with domestic deliveries as the latter give better margins.
   Meanwhile, the power segment limitted its exposure to the volatility of the spot market by signing bilateral contracts, both firm and non-firm. As base load plants, it is more ideal to have a stable market for the generated electricity.
5. **Improved coal quality** – The consistent implemention of measures to improve or enhance coal quality resulted to increased acceptance both in the export and domestic markets. Meanwhile, to improve coal recovery and cost efficiency, the power plants started to burn unwashed coal during the year. This also provides additional income to the power segment as sale of fly ash dramatically increased.

IX. 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 of 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 Subsidiaries[7] 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 March 6, 2015, 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 2015.

(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[8]
2013	4.6[9]
Total	**9.5**[10]

(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 2014, non-audit fees paid to SGV amounted to PHP991,200 for engagement in performing a technical assessment service on IT vulnerabilities and as an independent party to count and/or validate the votes at the Annual Stockholders' Meeting. There are no significant fees paid in 2013 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,

[7] SCPC and SLPGC were incorporated in November 2009 and August 2011, respectively.
[8] Includes Subsidiaries audit fee of P2.6 Million.
[9] Includes Subsidiaries audit fee of P2.4 Million.
[10] Audit and audit-related fees only; no fees for other assurance and related services were paid.

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**, 66, Filipino, has been a Director and Vice-Chairman of the Corporation since May 2001. On November 11, 2014, he was appointed Chairman of the Board. Currently, he serves as the Corporation'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 and 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, 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.

2. **Victor A. Consunji**, 64, Filipino, has been a Director of the Corporation since May 2001. On November 11, 2014, he was appointed Vice-Chairman. Currently, he serves as the Corporation'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**, 63, Filipino, has been a Director of the Corporation 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**, 85, Filipino, has been a Director of the Corporation 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**, 62, Filipino, has been a Director of the Corporation 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 Project Developers, Inc., DMCI Power Corporation, DMCI Mining Corporation, SEM-Calaca Power Corp., Southwest Luzon Power Generation Corporation, Maynilad Water Services, Inc., Subic Water & Sewerage Corp., SEM-Cal Industrial Park Developers Inc.; CFO, Maynilad Water Services, Inc.; Vice-President & CFO, DMCI Holdings, Inc.; Treasurer of SEM-Calaca Res Corporation; and Partner, H.F. Consunji & Associate.

6. **Ma. Cristina C. Gotianun**, 60, Filipino, has been a Director of the Corporation since May 2006 and currently serves as the Corporation'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**, 53, Filipino, has been a Director of the Corporation 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., and DMCI Project Developers, Inc.; and Director of SEM-Calaca Power Corporation, and DMC Urban Property Developers, Inc.

8. **Josefa Consuelo C. Reyes**, 67, Filipino, was appointed Director on March 6, 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; and 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**, 75, Filipino, has been a Director of the Corporation since May 2001 and currently serves as the Corporation'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.

10. **Victor C. Macalincag**, 79, Filipino, has been an Independent Director of the Corporation since May 2005 and currently serves as the Chairman of both the Audit Committee and Compensation & Remuneration, and a Member of the Nomination & Election Committees of the Corporation. 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)*, and SEM-Calaca Power Corporation. He is also the Chairman of the Board of One Wealthy Nation Fund, Inc. and a Regular Director of 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**, 80, Filipino, was appointed Independent Director of the Corporation on November 11, 2015, and currently a member of both the Audit Committee, Compensation & Remuneration Committee, and Chairman of the Nomination & Election Committee of the Corporation. 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 conferred an Honorary Degree of Doctor of Science – *Honoris Causa* by Feati University. Currently, he is the Chairman of Private Infra Dev Corporation 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.

<u>Executive Officers:</u>

Isidro A. Consunji*	-	Chairman & CEO
Victor A. Consunji*	-	Vice-Chairman, President & COO
Ma. Cristina C. Gotianun*	-	Executive Vice President
George G. San Pedro*	-	VP-Operations/Resident Manager
Junalina S. Tabor	-	VP & Chief Finance Officer
Jaime B. Garcia	-	VP-Procurement & Logistics
Nena D. Arenas	-	VP, 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**, 59, 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**, 51, Filipino, has been the Chief Finance Officer of the Corporation 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**, 44, Filipino, is the Vice-President for Legal (appointed November 2013), Corporate Secretary, Legal 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, took the BAR exam in 1996 and was admitted 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, DMCI Masbate Power Corporation, and DMCI Concepcion Power Corporation.

4. **Nena D. Arenas**, 54, Filipino, is the Chief Governance Officer and Compliance Officer of the Corporation 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 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**, 62, 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**, 50, 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**, 36, 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). She is currently the Treasury Officer of Southwest Luzon Power Generation Corporation, a wholly-owned subsidiary of the Corporation. 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 experience in investor relations and more than eleven years experience in financial analysis and in treasury and banking relations, among others.
12.

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 2014 is as follows:

Board	Name	Date of Election	Number of Meeting Held during the Year	Meetings Attended	%
Chairman Emeritus	David M. Consunji[11]	May 5, 2014	11	8	73
Chairman	Isidro A. Consunji	May 5, 2014	11	10	91
Member	Victor A. Consunji	May 5, 2014	11	11	100
Member	Jorge A. Consunji	May 5, 2014	11	10	91
Member	Herbert M. Consunji	May 5, 2014	11	11	100
Member	Cesar A. Buenaventura	May 5, 2014	11	11	100
Member	Ma. Cristina C. Gotianun	May 5, 2014	11	11	100
Member	Ma. Edwina C. Laperal	May 5, 2014	11	11	100
Member	George G. San Pedro	May 5, 2014	11	10	91
Independent	Victor C. Macalincag	May 5, 2014	11	11	100
Independent	Federico E. Puno[12]	May 5, 2014	11	9	82

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 4, 2015.

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

[11] Resigned as director but appointed by the Board as Chairman Emeritus.
[12] Mr. Rogelio M. Murga was elected Independent Director on November 11, 2014 to fill in the vacancy in view of Mr. Puno's demise on October 11, 2014. Mr. Murga attended the Board meeting on said date.

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 2014, Messrs. Victor C. Macalincag and Federico E. Puno were nominated by a non-controlling stockholder and elected by the stockholders as independent directors of the Company. To date, they have served as such since 2004. However, in view of the demise of Mr. Puno on October 11, 2014, Mr. Rogelio M. Murga was nominated also by a non-controlling stockholder and was appointed by the Board 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.

Other Directorship Held in Reporting Companies:

Cesar A. Buenaventura	▪ Vice-Chairman, DMCI Holdings, Inc. ▪ PetroEnergy Resources Corporation ▪ iPeople, Inc.
Isidro A. Consunji	▪ Chairman, President & CEO, DMCI Holdings, Inc. ▪ Director, Crown Equities, Inc. ▪ Director, Atlas Consolidated Mining and Development Corp.
Jorge A. Consunji	▪ Director, DMCI Holdings, Inc.
Victor A. Consunji	▪ Director, DMCI Holdings, Inc.
Herbert M. Consunji	▪ Director, DMCI Holdings, Inc.
Ma. Edwina C. Laperal	▪ Director, DMCI Holdings, Inc.
Victor C. Macalincag	▪ 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	66
Victor A. Consunji	Filipino	Vice-Chairman, President & COO	64
Ma. Cristina C. Gotianun	Filipino	Executive Vice President	60
Junalina S. Tabor	Filipino	VP & Chief Finance Officer	51
George G. San Pedro	Filipino	VP-Operations & Resident Manager	75
Jaime B. Garcia	Filipino	VP-Procurement & Logistics	59
Nena D. Arenas	Filipino	VP, Chief Governance Officer & Compliance Officer	54
John R. Sadullo	Filipino	VP-Legal & Corporate Secretary	44
Antonio R. delos Santos	Filipino	VP-Treasury	62
Jose Anthony T. Villanueva	Filipino	VP-Marketing	50
Sharade E. Padilla	Filipino	AVP-Investor and Banking Relations	36

(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, Ma. 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 incumbent 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, 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, through counsel, 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 five (5) 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-Chairan, President and COO				
George G. San Pedro Vice President Resident Manager				
Jaime B. Garcia Vice President Procurement & Logistics				
Junalina S. Tabor Vice President Chief Finance Officer				
	2013	10,649,058.33	71,617,647.35	3,396,451.27
	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
	Total	**₱64,668,879.15**	**₱216,455,882.67**	**₱13,789,112.27**
All other Directors and Officers as a group	**2013**	9,107,385.09	27,665,058.95	4,657,794.44
	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
	Total	**₱29,630,343.75**	**₱116,620,941.37**	**₱16,133,299.68**

**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.

All directors of the Corporation receive an annual retainer fee of ₱240,000.00 as approved in the May 2009 Annual Stockholders' Meeting and ₱20,000.00 fixed per diem 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 2014, 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, 2015, 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[13]	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 6,076,969,505 shares or 45.77% 2. DFC Holdings, Inc., stockholder of 2,370,782,060 or 17.86% 3. PCD Nominee Corp. (Foreign), stockholder of 2,281,312,779shares or 17.18% 4. PCD Nominee Corporation (Filipino), stockholder of 2,155,735,731shares or 16.24%	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	133,753,261	12.51
Common	Dacon Corporation, 2/F DMCI Plaza, 2281 Don Chino Roces, Makati City, stockholder of record	Inglebrook Holdings, Inc. holds 9,948,510 shares or 12.42%[14]	Filipino	130,825,527	12.24
Common	PCD Nominee Corp., stockholder of record	Hongkong and Shanghai Banking Corp. Ltd. holds 78,317,309 shares or 7.33%	Foreign	130,581,134	12.22

(2) **Security Ownership Management.** - The table sets forth as of March 10, 2015 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[15]	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	116,837	116,873	Filipino	0.01
Common	Herbert M. Consunji	32,280	-	32,280	Filipino	0.01
Common	Victor C. Macalincag	804,890	19,100	823,990	Filipino	0.08
Common	George G. San Pedro	120,090	-	120,090	Filipino	0.01
Common	Rogelio M. Murga	1,010	-	1,010	Filipino	0.00

[13] As of March 16, 2015.

[14] 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 Creek Holdings, Inc. while Double Spring Investments Corporation only holds 201,909 shares or .64% of Dacon's issued and outstanding shares.

[15] 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	Ma. Cristina C. Gotianun	357	1,210,104	1,210,461	Filipino	0.11
Common	Ma. Edwina C. Laperal	1,047	1,277,694	1,278,741	Filipino	0.12
Common	Josefa Consuelo C. Reyes	80,300	346,800	427,100	Filipino	0.04
Common	Jaime B. Garcia	144,108	-	144,108	Filipino	0.01
Common	Nena D. Arenas	3,000	-	3,000	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		**1,228,770**	**5,536,027**	**6,764,797**	Filipino	**0.63**

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, 2014 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 2014 Annual Corporate Governance Report

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.	Clarification of news article published in the Manila Standard Today (internet edition) on June 26, 2014 entitled "Semirara investing $400m."	June 26, 2014
2.	Decision dated May 28, 2014 denying the instant appeal of Semirara, but Semirara is made liable for business tax for the portion of its coal sales consummated at Calaca, Batangas. However, the Municipality of Calaca is directed to make a re-assessment to conform with the proper sales allocation in accordance with Article 243 (b) of the IRR of the Local Government Code and its assessment should only be based on the portion of the coal sales which were consummated in Calaca, Batangas.	July 1, 2014
3.	Post-typhoon assessment report on the Calaca plant that both Units 1 & 2 were not seriously affected by typhoon Glenda.	July 18, 2014
4.	Approval of the Company's unaudited consolidated financial statements for the interim period ended June 30, 2014.	August 7, 2014

5.	Approval by SEC on August 18, 2014 of the following: (1) the change in the corporate name of Semirara Mining Corporation to "Semirara Mining and Power Corporation" (the "Corporation"); (2) the change of the Corporation's principal office to "2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City, Metro Manila"; and (3) the increase in authorized capital stock of the Corporation from Php1,000,000,000.00 to Php3,000,000,000.00 divided into 3,000,000,000 common shares with a par value of Php1.00 each share, by way of a stock dividend (the "Stock Dividend"). We likewise advise that the SEC approved the amendment of the Corporation's By-laws to change the number of directors required to constitute a quorum for the Board of Directors to transact business from a majority to two-thirds (2/3) of the whole number of directors as fixed in the Articles of Incorporation.	August 19, 2014
6.	Compliance with SEC Memorandum Circular No. 4, Series of 2012 on the results of the Audit Committee Self-Assessment.	August 26, 2014
7.	Fixing of record date and payment dates for stock dividends; and clarification of news article published in the Manila Standard Today (internet edition) on August 26, 2014 entitled "Napocor, PSALM ordered to pay Consunji Group P476.7m."	August 26, 2014
8.	Report on attendance in Corporate Governance Training Program by Mr. John R. Sadullo, VP-Legal & Corporate Secretary.	August 27, 2014
9.	Update on progress completion of 2x150 MW power plant project in Calaca, Batangas of Southwest Luzon Power Generation Corporation; and the site inspection conducted by the Bureau of Immigration and the DOLE involving foreign workers at the project site.	September 4, 2014
10.	Update on the 5.7 magnitude earthquake which affected Culasi, Antique last October 3, 2014 which reported that there was no damage observed and recorded at the mine site, and there was no disruption in mining operations.	October 7, 2014
11.	Report on the demise of the Company's Independent Director, Mr. Federico E. Puno on October 11, 2014.	October 13, 2014
12.	Board approval of the Company's unaudited consolidated financial statements for the period ended September 30, 2014; appointment of officers, independent directors, and membership in governance committees.	November 11, 2014
13.	Report on attendance in Corporate Governance Training Program by Mr. Rogelio M. Murga, Independent Director.	December 1, 2014
14.	Submission of Amended Certification on Qualification of Independent Director by Victor C. Macalincag.	December 10, 2014
15.	Report on attendance in Corporate Governance Training Program by Mses. Ma. Cristina C. Gotianun (Director, EVP), and Nena Arenas (VP, Chief Governance Officer & Compliance Officer).	February 4, 2014
16.	Board approval on appointment of Mr. Rogelio M. Murga as Chairman of the Nomination and Election Committee, and as Independent Director of the Company's wholly-owned subsidiary, SEM-Calaca Power Corporation.	February 20, 2015
17.	Approval by the Nomination and Election Committee of the deadline of submission of the nominees for directorship on March 11, 2015.	March 4, 2015
18.	Board approval on the following: (1) resignation of Mr. David M. Consunji as Chairman of the Board and Director; (2) appointment of Ms. Josefa Consuelo C. Reyes ad regular director; audited consolidated financial statements for the year ended December 31, 2014; date and venue of annual stockholders' meeting on May 4, 2015; and re-appointment of SGV as the Company's Independent External Auditor for year	March 6, 2015

	2015.	
19.	Technical Report Economic Assessment and Coal Reserve Estimation of Bobog Coal Deposit, Semirara Island, Antique, Philippines, prepared by Engr. Rufino B. Bomasang, Competent Person on Coal.	March 17, 2015
20.	Board approval on final list of nominees to the Board of Directors regarding the Annual Stockholders' Meeting on May 4, 2015.	March 18, 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 2015.

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/Comptroller)

LEANDRO D. COSTALES
Comptroller
(Principal Accounting Officer)

JOHN R. SADULLO
Corporate Secretary

APR 14 2015

SUBSCRIBED AND SWORN, to before me on this ____ day of April 2015, at Makati City, Metro Manila, affiants exhibited to me:

Name	Passport/Valid ID No.	Expiry Date/Place Issued
Isidro A. Consunji	EB2033364	March 6, 2016/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. 27 ;
Page No. 6 ;
Book No. III ;
Series of 2015.

ATTY. REDENCIO C. VILLARIVERA
Notary Public for Makati City
For the term ending 31 December 2015
Roll No. 45335; Appointment No. M-365
4th Floor, Dacon Building, No. 2281
Pasong Tamo Extension, Makati City
IBP No.0995318/Feb.2, 2015/Makati
PTR No.4789099/Feb.3,2015/Makati
MCLE Compliance No. IV-0020719

103202015002346

SECURITIES AND EXCHANGE COMMISSION

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

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Company Information

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

Document Information

Document ID	103202015002346
Document Type	LETTER/MISC
Document Code	LTR
Period Covered	December 31, 2014
No. of Days Late	0
Department	CED/CFD/CRMD/MRD/NTD
Remarks	sec form-acgr

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	888-3055
(Contact Person)	(Company Telephone Number)

1 2 3 1	A C G R	Month Day
(Fiscal Year)	(Form Type)	(Annual Meeting[1])

(Secondary License Type, If Applicable)

CGFD	
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number	LCU
Document ID	Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

[1] First Monday of May of each year.

SEMIRARA MINING & POWER CORPORATION

March 19, 2015

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 2014

Gentlemen:

Pursuant to SEC Memorandum Circular No. 12, Series of 2014 in relation to SEC Memorandum Circular No. 5, Series of 2013, we submit herewith Semirara Mining Corporation's (the "Corporation") Consolidated Changes in the Annual Corporate Governance Report for the year 2014. All changes in the ACGR have been underlined for convenience.

Lastly, attached is a copy of, duly notarized, the Secretary's Certificate dated March 18, 2015 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

Minesite: Semirara Island, Caluya, Antique
Makati Office: 2nd Floor DMCI Plaza, 2281 Chino Roces Ave., Makati City
Tel. No. (632) 888-3055 / 816-7301 - 10 Fax: (632) 816-7185

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S.S.

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 CORPORATION** (the "Company"), after being duly sworn in accordance with law, do hereby depose and certify that:

1. On March 6, 2014, the Board of Directors of the Company unanimously resolved and approved, upon the recommendation of the Audit Committee of the Corporation, the Amended Insider Trading Policy of the Corporation particularly Section 7 thereof, which requires directors and key officers to report their trades of the Corporation's shares within three (3) business. Further, on August 7, 2014, the Board further approved the amendment of the Corporation's Insider Trading Policy in order to align with its parent company, DMCI Holdings, Inc.'s policy, i.e. removal of the phrase *"three (3) day block out trading period before"* for non-structured disclosures. Furthermore, the Board resolved and approved a *"one-day-before stock trading reporting protocol"* requiring ~~of~~ the Corporation's board and key officers to notify the Corporation of their planned trading transaction in the Corporation's shares;

2. On May 8, 2014 the Board approved the amendment to the Corporation's Revised Code of Corporate Governance to include provisions on stakeholders pursuant to SEC Memorandum Circular No. 9, Series of 2014;

3. On November 11, 2014, the Board also approved the following:

   a. Amendment of the Company's Mission Statement and Affirmation of Vision Statement

      i. Company's Mission now reads:

         <u>To fulfill its commitment to provide affordable power to the Filipino people through the responsible use of coal</u> as energy source, Semirara Mining <u>and Power</u> Corporation will continue to remain as:

         - The undisputed leader in the coal mining industry <u>and vertically integrated coal-based power producer</u> in the Philippines
         - Playing a vital role in the energy sector & working in harmony with the gov't to promote the use of coal <u>as a reliable and economical power source</u>.
         - Supplying its customers with quality coal that meets their stringent specifications
         - Providing reasonable economic returns to its investors & business partners
         - Empowering its employees to prosper in a climate of integrity & excellence
         - Working in partners with its host communities to improve their sustainability while engaging in the judicious use and rational conservation of the country's natural resources.

      ii. Vision Statement : Coal Towards an Energy Sufficient Philippines.

   b. Changes in Board leadership, as follows:

      i. David M. Consunji – Chairman Emeritus. He, however, remained a member

of the Board
ii. Isidro A. Consunji - Chairman of the Board
iii. Victor A. Consunji - Vice Chairman
iv. Rogelio M. Murga - Independent Director and member of the Audit Committee, Compensation and Remuneration Committee, and Nomination and Election Committee
v. Victor C. Macalincag –Chairman, Nomination and Election Committee

4. On February 20, 2015 the Board approved the appointment of Mr. Rogelio M. Murga as Chairman of Nomination and Election Committee.

5. On March 6, 2015, the Board approved the following:

    a. Changes in Board Leadership

        i. Resignation of Mr. David M. Consunji as Director
        ii. Appointment of Ms. Josefa Consuelo C. Reyes as regular Non-Executive director in view of the vacancy left by the resignation of Mr. Consunji.

    b. New Risk Committee

        i. Creation of a separate Board-level Risk Committee to exemplify the importance of the risk management function

        ii. Membership: Herbert M. Consunji (chairman), Isidro A. Consunji, Victor A. Consunji, Ma. Cristina C. Gotianun, Victor C. Macalincag

    c. Corporate governance policies:

        i. Amended Related Party Transaction Policy
        To formalize and explicitly state required review by Independent Directors of material/significant RPTs as aligned with ACGS best practices.

        ii. Amended Audit Committee Charter
        To effect risk management oversight to new Board-level Risk Committee

        iii. Amended Enterprise Risk Management Policy
        To amend provisions on exercise of risk management oversight from Audit Committee to Risk Committee.

        iv. Risk Committee Charter
        To promulgate guidelines on the roles and responsibilities of Risk Committee for its effective performance aligned to best practices.

6. The foregoing Resolutions are continuing, valid and have not been revoked, amended or superseded.

7. 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 March 2015 at Makati City.

JOHN R. SADULLO
Corporate Secretary

MAR 18 2015

SUBSCRIBED AND SWORN, to before me on this ____ day of March 2015, 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. 440;
Page No. 88;
Book No. II;
Series of 2015.

ATTY. REDENCIO C. VILLARIVERA
Notary Public for Makati City
For the term ending 31 December 2015
Roll No. 45335; Appointment No. M-365
4th Floor, Dacon Building, No. 2281
Pasong Tamo Extension, Makati City
IBP No.0995318/Feb.2, 2015/Makati
PTR No.4789099/Feb.3,2015/Makati
MCLE Compliance No. IV-0020719

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

CONSOLIDATED CHANGES IN THE ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is filed for the Year: 2014

2. Exact Name of Registrant as Specified in its Charter: **Semirara Mining and Power Corporation**

3. 2/F DMCI Plaza, 2281 Don Chino Roces Ave., Makati City 1231
   Address of Principal Office Postal Code

4. SEC Identification Number: 91447 5. (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number: 410-000-190-324

7. (632) 888-3000/888-3055
   Issuer's Telephone number, including area code

8. N/A
   Former name or former address, if changed from the last report

TABLE OF CONTENTS

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)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
David M. Consunji* (Chairman Emeritus)	NED	DMCI Holdings, Inc.	Ma. Cristina C. Gotianun	May 2001	May 2014 *(Resigned as Director March 6, 2015)*	ASM	13.67
Isidro A. Consunji	ED	DMCI Holdings, Inc.	Ma. Cristina C. Gotianun	May 2001	May 2014	ASM	13.67
Victor A. Consunji	ED	DMCI Holdings, Inc.	Ma. Cristina C. Gotianun	May 2001	May 2014	ASM	13.67
Jorge A. Consunji	NED	DMCI Holdings, Inc.	Ma. Cristina C. Gotianun	May 2001	May 2014	ASM	13.67
Cesar A. Buenaventura	NED	DMCI Holdings, Inc.	Ma. Cristina C. Gotianun	May 2001	May 2014	ASM	13.67
Herbert M. Consunji	NED	DMCI Holdings, Inc.	Ma. Cristina C. Gotianun	May 2001	May 2014	ASM	13.67
Victor C. Macalincag	ID		Antonio C. Olizon (no relation)	May 2005	May 2014, 2 years & 7 months as ID from May 2012	ASM	9.67
George G. San Pedro	ED	DMCI Holdings, Inc.	Isidro A. Consunji	May 2001	May 2014	ASM	13.67
Federico E. Puno *deceased Oct 11, 2014	ID		Antonio C. Olizon (no relation)	May 2005	May 2014, 2 years & 6 months as ID from May 2012	ASM	9.50
Ma. Cristina C. Gotianun	ED	DMCI Holdings, Inc.	Isidro A. Consunji	May 2006	May 2014	ASM	8.67
Ma. Edwina C. Laperal	NED	DMCI Holdings, Inc.	Isidro A. Consunji	May 2007	May 2014	ASM	7.67

[1] Reckoned from the election immediately following January 2, 2012.

Rogelio M. Murga	ID		Isidro A. Consunji	Nov 11, 2014	Nov 11, 2014	Board Appointment to fill vacancy	0.17
Josefa Consuelo C. Reyes	NED	DMCI Holdings, Inc.	Isidro A. Consunji	March 6, 2015		Board Appointment to fill vacancy	0.05

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasis 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 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 Board-approved Revised Code of Corporate Governance reflects 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.
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. Also,*** *the Company requires a One-Day-Before-Stock-Trading reporting protocol that its Directors and Key Officers notify, call or clear with Legal department at least one day before a planned stock trading of the Company's shares.*

- ***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. To determine that material/significant RPTs are in the best interest 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 and prescribed 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 Poli–y - 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 Progr–m - 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 mechani–m - 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, 2014.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]
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 *(resigned as Director March 6, 2015)*	DMCI Holdings, Inc	Non-Exec/Chairman Emeritus
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/Chairman Executive Director/Chairman/ 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/Vice Chaiman 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
Jorge A. Consunji	DMCI Holdings, Inc. SEM-Calaca Power Corp. Southwest Luzon Power Generation Corp. Semirara Claystone Inc.	Non-Executive Director

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	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 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. SEM-Calaca Res Corp.	Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Executive Director, Treasurer
Victor C. Macalincag	SEM-Calaca Power Corporation	Independent Director
Federico E. Puno *deceased Oct 11, 2014	SEM-Calaca Power Corporation	Independent Director
Rogelio M. Murga	SEM-Calaca Power Corporation	Independent Director *(elected by the Board to fill vacancy on February 20, 2015)*
Ma. 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. Consunji *(elected by the Board to fill vacancy on March 6, 2015)*	SEM-Calaca Power Corp	Non-Executive Director

(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.	Independent Director

	Republic Glass Holdings, Inc., ISM Communications Corp. Atok-Big Wedge Company, Inc. PhilWeb Corporation	Independent Director Independent Director Independent Director Independent Director
Federico E. Puno *deceased Oct 11, 2014	Republic Glass Holdings, Inc. Forum Pacific, Inc.	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[3]	Description of the relationship
David M. Consunji	N/A	N/A
Isidro A. Consunji	Augusta Holdings Inc. holds 969,918 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 1,581,414 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 116,837 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
Ma. Crisitina C. Gotianun	Berit Holdings Corporation holds 1,210,104 shares in the Company.	Ms. Ma. Cristina C. Gotianun is the majority stockholder representing 78.88% of its I/O shares.
Ma. Edwina C. Laperal	Firenze Holdings Inc. holds 1,277,694 shares in the Company.	Ms. Ma. Edwina C. Laperal is the majority stockholder representing 82% of its I/O shares.
Josefa Consuelo C. Reyes	Meru Holdings, Inc. holds 346,800 shares in the Company	Ms. Josefa Consuelo C. Reyes is the majority stockholder representing 99.84% of its I/O.

(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 2014, 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 Holdings Inc. Group

[3] As of February 28, 2015.

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

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[4]	Number of Indirect shares / Through (name of record owner)[5]	% of Capital Stock
David M. Consunji	36	-	0.00
Isidro A. Consunji	6,036	969,918	0.09
Victor A. Consunji	36	1,581,450	0.15
Jorge A. Consunji	36	116,837	0.01
Herbert M. Consunji	32,280	-	0.00
Cesar A. Buenaventura	18,030	-	0.00
Ma. Cristina C. Gotianun	357	1,210,104	0.11
Ma. Edwina C. Laperal	1,047	1,277,694	0.12
George G. San Pedro	120,090	-	0.01
Victor C. Macalincag	804,890	19,100	0.08
Federico E. Puno * deceased Oct 11, 2014	180,030	-	0.02
Rogelio M. Murga	1,010	-	0.00
Josefa Consuelo C. Reyes	80,300	346,800	0.04
TOTAL	**1,244,178**	**5,521,903**	**0.63**

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

Effective Nov 11, 2014, David M. Consunji resigned as Chairman of the Board. The Board appointed Isidro A. Consunji CEO with a dual role as Chairman of the Board, and David. M. Consunji as Chairman Emeritus in the context of transition change in succession leadership. 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

[4] As of February 28, 2015.
[5] *Ibid.*

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

	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 highly 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 map.

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	Strategy and goal setting;	Adopt an oversight role and act as a check and

	; Set the Company's values and standards, and ensure that obligations to shareholders and stakeholders are understood and met. Lead the day-to-day operation of the business.	Review and monitor Management's performance in meeting agreed goals and objectives.	balance on the acts of the Board and Management of the Company; Helps in formulating strategic plans and objectives.
Accountabilities	Providing reasonable economic returns to shareholders and business partners; Sustainability and growth of the business; Regular and timely reporting to the Board of the Company's performance and achievement of strategic goals and objectives.	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	*Enhance shareholder value through the ff:* Operational excellence; A governance framework with adequate and effective risk, control and governance processes and information and management systems; Reliability and integrity of financial and operational information and reporting; Compliance with laws, rules, regulations, and contracts; 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. Sustainable growth and business of the organization.	Objectivity and independent mindset during Board deliberations and discussions; Faithful performance of Director's fiduciary duties in the best interests of the Company; Familiarity and understanding of the Company's business, industry and significant developments; Regular attendance and participation in Board and Committee meetings.	Objectivity and independent mindset during Board deliberations and discussions; Faithful performance of Director's fiduciary duties in the best interests of the Company; Familiarity and understanding of the Company's business, industry and significant developments; Regular attendance and participation in Board and Committee meetings.

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. <u>One of the Company's Independent Directors (IDs) has been elected and re-elected as Independent Director since May 2005, while a new Independent Director was appointed by the Board on Nov 11, 2014 to fill the vacancy of a second Independent Director.</u> Both of the Company's IDs have likewise been elected as such in the Company's wholly-owned subsidiary SEM-Calaca Power Corporation and 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.

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
<u>Federico E. Puno</u>	<u>Independent Director</u>	<u>Oct 11, 2014</u>	<u>Death</u>
<u>David M. Consunji</u>	<u>Non-Executive/Chairman</u> <u>Non-Executive/Chairman Emeritus</u>	<u>Nov 11, 2014</u> <u>Nov 11, 2014</u> <u>March 6, 2015</u>	<u>Resignation</u> <u>Appointment</u> <u>Resignation</u>
<u>Isidro A. Consunji</u>	<u>Executive/Chairman</u>	<u>Nov 11, 2014</u>	<u>Appointment</u>
<u>Victor A. Consunji</u>	<u>Executive/Vice Chairman</u>	<u>Nov 11, 2014</u>	<u>Appointment</u>
<u>Rogelio M. Murga</u>	<u>Independent Director</u>	<u>Nov 11, 2014</u>	<u>Election by the Board to fill vacancy</u>
<u>Josefa Consuelo C. Reyes</u>	<u>Non-Executive</u>	<u>March 6, 2015</u>	<u>Election by the Board to fill vacancy</u>

(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 annual meeting. The final list goes through the selection process by the Nomination and Election Committee (NOMELEC)	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. 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	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) 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	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) 2. Independent Directors are

	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)	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.

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	Not eligible for appointment as Executive Director upon determination by the NOMELEC 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.	Grounds for disqualifications enumerated under Article 4 I (1) of the Company's Revised Code of Corporate Governance

(ii) Non-Executive Directors	Not eligible for nomination as director upon determination by the NOMELEC 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.	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 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.	1. Based on grounds enumerated under Art. 4 (e) (1) of the Company's 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 disqualification. Director is reinstated when shown that disqualification has been remedied.	Last paragraph of Article 4 (e) (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
David M. Consunji	285,139,637	-	1,570,558
Isidro A. Consunji	283,908,027	1,231,610	1,570,558
Victor A. Consunji	285,137,467	2,170	1,570,558
Jorge A. Consunji	285,139,637	-	1,570,558
Cesar A. Buenaventura	285,137,467	2,170	1,570,558
Herbert M. Consunji	283,910,197	1,229,440	1,570,558
Ma. Cristina C. Gotianun	285,137,467	2,170	1,570,558
Ma. Edwina C. Laperal	279,595,371	1,341,660	5,773,164
George G. San Pedro	276,737,673	2,170	9,970,352

Victor C. Macalincag	<u>285,940,345</u>	<u>-</u>	<u>769,850</u>
Federico E. Puno	<u>285,940,345</u>	<u>-</u>	<u>769,850</u>

5) 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. Directors are provided with an orientation kit of compiled reading and video materials intended to serve as a useful tool and ready reference resource for the Board's work and duties during the year. 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.

<u>In December 2014, the Nomination and Election Committee exercised oversight of the Board orientation by the Chairman of the Board & CEO, Senior Management and Management Committee to familiarize the new Independent Director with SMPC Group's strategic plans, financial and operating performance, significant milestones and corporate governance matters.</u>

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

(b) State any in-house training and external courses attended by Directors and Senior Management[6] for the past three (3) years:

Trainings and Seminars	Date
<u>HR BEAT Conference, Towers Watson</u>	***<u>February 27, 2015</u>***
<u>Distinguished Corporate Governance Speaker Series, Institute of Corporate Directors (ICD)</u>	***<u>January 26, 2015</u>*** ***<u>November 20, 2014</u>*** ***<u>August 19, 2014</u>*** ***<u>April 29, 2014</u>*** ***<u>February 5, 2014</u>***
<u>13th Annual Working Session – Going for Gold ACGS, ICD</u>	***<u>Nov 28, 2014</u>***
<u>Towers Watson Executive Compensation Forum, ICD</u>	***<u>Nov 26, 2014</u>***
<u>3rd Annual Risk Management Summit, Society of Risk Management Professionals, Inc.</u>	***<u>October 24, 2014</u>***
<u>Exclusive Corporate Governance Seminar, ICD</u>	***<u>June 9, 2014</u>***
<u>Introduction to Wholesale Electricity Spot Market (WESM), Phil. Electricity Market Corp,</u>	***<u>May 16, 2014</u>***
<u>7 Habits for Effective Managers, Center forLeadership and Change Inc.</u>	***<u>August 6-7, Nov 17, 2014</u>*** ***<u>January 23, 2015</u>***
<u>People Handling for Managers, Guthrie JensenConsultants, Inc.</u>	***<u>July 4,5,11, 2014</u>***
<u>HR for Non-HR Managers, Rodolfo C. Salazar</u>	***<u>June 25, 2014</u>***
<u>Introduction to Wholesale Electricity Spot Market (WESM), Phil. Electricity Market Corp,</u>	***<u>May 16, 2014</u>***
<u>Process Improvement Tools and Techniques for Customer Service Quality for Senior Managers</u>	***<u>April 21, 2014</u>***
Professional Directorship Program, ICD	***March 1,8,9,18,19 2010***
	March 1,7,8,17,18 2011
Corporate Governance Orientation Program, , ICD	***September 1, 2010*** ***September 1, 2011***

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

	June 7, 2012
Strategic Business and Economics Program, University of Asia and the Pacific	*SY 2011-2012*
Annual Economic Briefings	*2010-2014*
Private-Public Partnership Briefing, Alberto Agra	*2011*
Cross Cultural Seminar, Prof. Yih-teen Lee	*2011*
Leadership Seminar, Dr. Pablo Cardona	*2011*
Business Continuity Management System (BCMS) Implementer Course, ISACA	*June 5-7, 2012*
The Future of Renewable Energy in the Phils., Center for Phil. Futuristics Studies & Mgt Inc.	*May 10, 2012*
BCMS Foundation Course, Eian Management Consultancy	*August 17, 2012* *October 8, 2012*
ISO Seminars (various), Certification International Philippines	*2010-2011*
ERM Awareness, SGV & Co., Inc	*Aug 23, 2012*
ISO 14001:2004 EMS Foundation Course, SGS	*Oct 1, 2012*
Strategic Planning (Balanced Scorecard), DMC Technical Training Center	*Nov 8-10, 2012*
ASEAN Corp Gov Scorecard Briefing, ICD	*April 10, 2013*
Investors' Forum, ICD	*June 28, 2013*
Leadership, DMC Technical Training Center	*June 29, 2013*
Problem Solving and Decision Making, DMC Technical Training Center	*July 12-13, 2013*
Sustainability Reporting Guidelines, ECC International Corp.	*Aug 14, 2013*
Mandatory Continuing Legal Education, Chan Robles Law Office	*April 2013*
Trends in Director Compensation, ICD	*Oct 16, 2013*
Mastering LC for Import and Export, Center for Global Best Practices	*Oct 24-25, 2013*
12th Annual Working Session Mastering the ACGS, ICD	*Nov 15, 2013*

(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
David M. Consunji/ Chairman Emeritus	*June 9, 2014*	*Exclusive Corporate Governance Seminar*	*Institute of Corporate Directors*
Isidro A. Consunji/ Chairman & CEO	*April 29, 2014*	*Distinguished Corporate Governance Speaker Series*	*Institute of Corporate Directors*
Victor A. Consunji/Vice Chairman & President	*June 9, 2014*	*Exclusive Corporate Governance Seminar*	*Institute of Corporate Directors*
Jorge A. Consunji/ Director	*February 5, 2014*	*Distinguished Corporate Governance Speaker Series*	*Institute of Corporate Directors*
Cesar A. Buenaventura/ Director	*April 29, 2014*	*Distinguished Corporate Governance Speaker Series*	*Institute of Corporate Directors*
Herbert M. Consunji/ Director	*February 5, 2014*	*Distinguished Corporate Governance Speaker Series*	*Institute of Corporate Directors*
	May 16, 2014	*Introduction to Wholesale Electricity Spot Market (WESM)*	*Phil. Electricity Market Corp*
Ma. Cristina C. Gotianun	*February 27,*	*HR BEAT Conference*	*Towers Watson*

/Director & Exec. Vice President	*2015*		
	January 26, 2015	*Distinguished Corporate Governance Speaker Series*	*Institute of Corporate Directors*
	Nov 26, 2014	*Towers Watson Executive Compensation Forum*	*Institute of Corporate Directors*
	May 16, 2014	*Introduction to Wholesale Electricity Spot Market (WESM)*	*Phil. Electricity Market Corp*
	February 5, 2014	*Distinguished Corporate Governance Speaker Series*	*Institute of Corporate Directors*
Ma. Edwina C. Laperal/ Director	*February 5, 2014*	*Distinguished Corporate Governance Speaker Series*	*Institute of Corporate Directors*
	May 16, 2014	*Introduction to Wholesale Electricity Spot Market (WESM)*	*Phil. Electricity Market Corp*
George G. San Pedro/ Director, VP Operations	*June 9, 2014*	*Exclusive Corporate Governance Seminar*	*Institute of Corporate Directors*
Victor C. Macalincag/ Independent Director	*February 5, 2014*	*Distinguished Corporate Governance Speaker Series*	*Institute of Corporate Directors*
	May 16, 2014	*Introduction to Wholesale Electricity Spot Market (WESM)*	*Phil. Electricity Market Corp*
Federico E. Puno/ Independent Director * deceased Oct 11, 2014*	*June 9, 2014*	*Exclusive Corporate Governance Seminar*	*Institute of Corporate Directors*
Rogelio M. Murga/ Independent Director	*November 20, 2014*	*Distinguished Corporate Governance Speaker Series*	*Institute of Corporate Directors*
Jaime B. Garcia/VP Procurement& Logistics	*June 9, 2014*	*Exclusive Corporate Governance Seminar*	*Institute of Corporate Directors*
	May 16, 2014	*Introduction to Wholesale Electricity Spot Market (WESM)*	*Phil. Electricity Market Corp*
Junalina S. Tabor/VP Chief Finance Officer	*Nov 28, 2014*	*13th Annual Working Session – Going for Gold ACGS*	*Institute of Corporate Directors*
	Oct 24, 2014	*3rd Annual Risk Management Summit*	*Society of Risk Management Professionals, Inc.*
	February 5, 2014	*Distinguished Corporate Governance Speaker Series*	*Institute of Corporate Directors*
Antonio R. delos Santos/VP Treasury	*June 9, 2014*	*Exclusive Corporate Governance Seminar*	*Institute of Corporate Directors*
John R. Sadullo/Corporate Secretary VP Legal	*Nov 28, 2014*	*13th Annual Working Session – Going for Gold ACGS*	*Institute of Corporate Directors*
	August 19, 2014	*Distinguished Corporate Governance Speaker Series*	*Institute of Corporate Directors*
Jose Anthony T.	*June 9, 2014*	*Exclusive Corporate*	*Institute of Corporate*

Villanueva/VP Marketing		***Governance Seminar***	***Directors***
	May 16, 2014	***Introduction to Wholesale Electricity Spot Market (WESM)***	***Phil. Electricity Market Corp***
Nena D. Arenas/ VP Chief Governance Officer	***February 27, 2015***	***HR BEAT Conference***	***Towers Watson***
	January 26, 2015	***Distinguished Corporate Governance Speaker Series***	***Institute of Corporate Directors***
	Nov 28, 2014	***13th Annual Working Session – Going for Gold ACGS***	***Institute of Corporate Directors***
	Nov 26, 2014	***Towers Watson Executive Compensation***	***Institute of Corporate Directors***
	June 9, 2014	***Exclusive Corporate Governance Seminar***	***Institute of Corporate Directors***
	May 16, 2014	***Introduction to Wholesale Electricity Spot Market (WESM)***	***Phil. Electricity Market Corp***
	February 5, 2014	***Distinguished Corporate Governance Speaker Series***	***Institute of Corporate Directors***
Sharade E. Padilla/ AVP Investor & Banking Relations	***February 5, 2014***	***Distinguished Corporate Governance Speaker Series***	***Institute of Corporate Directors***
	May 16, 2014	***Introduction to Wholesale Electricity Spot Market (WESM)***	***Phil. Electricity Market Corp***
Denardo M. Cuayo**/VP Business Development **resigned Dec 2014	***June 9, 2014***	***Exclusive Corporate Governance Seminar***	***Institute of Corporate Directors***

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	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	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

	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 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. 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.	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 situation promptly with the Company's Chairman or President, and Audit Committee.	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 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. .
(b) Conduct of Business and Fair Dealings	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	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	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

	privileged information, misrepresentation of material facts, or any unfair dealing practices.	manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any unfair dealing practices.	contracts must be reported to the senior management, Chairman of the Board or the Audit Committee, as appropriate.
(c) Receipt of gifts from third parties	A Director and members of his 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 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. <u>Annually, the Company formally reminds its employees, suppliers, customers and key business partners of its Gifts and Entertainment policy.</u>	An Exec. Officer and members of his 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. <u>Annually, the Company formally reminds its employees, suppliers, customers and key business partners of its Gifts and Entertainment policy.</u>	The Company's 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. 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. <u>Annually, the Company formally reminds its employees, suppliers, customers and key business partners of its Gifts and Entertainment policy.</u>
(d) Compliance with Laws & Regulations	It is the personal responsibility of each Director to adhere to the standards and restrictions imposed by laws, rules and regulations.	It is the personal responsibility of each Executive Officer to adhere to the standards and restrictions imposed by laws, rules and regulations.	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.
(e) Respect for Trade Secrets/Use of Non-public Information	In carrying out the Company's business, Directors learn confidential/proprietary information about the Company, its customers,	In carrying out the Company's business, Exec. Officers learn confidential/proprietary information about the Company, its customers,	An employee must maintain the confidentiality of the Company's business information both during and after his employment

	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 regulations. The Company adheres to the requirements of the Data Privacy Act.	suppliers, or other third parties. Exec. Officers must maintain confidentiality of all information so entrusted to them, except when disclosure is authorized by the Audit Committee or required by laws or regulations. The Company adheres to the requirements of the Data Privacy Act.	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 proprietary information. Such information must be kept strictly confidential and should not be discussed with any person outside of the Company. The Company adheres to the requirements of the Data Privacy Act.
(f) Use of Company Funds, Assets and Information	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.	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.	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.
(g) Employment & Labor Laws & Policies	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.	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.	The Company's policy is to comply with all applicable Philippine laws, rules and regulations and to maintain the highest standards of business ethics.
(h) Disciplinary action	The Company will take such disciplinary or preventive action as it deems appropriate to address any existing or potential violation of this Code	The Company will take such disciplinary or preventive action as it deems appropriate to address any existing or potential violation of	Any employee who compromises or violates the Code of Conduct may be subject to disciplinary action, up to and including termination. In

	brought to its attention.	this Code brought to its attention.	all cases, the Company shall at all times observe due process and procedures in the implementation of the provisions of the Code.
(i) Whistle Blower	Any Director 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 Executive Officer 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.	The Company encourages 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 3rd 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 3rd party decision	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 3rd party decision through arbitration.

		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. <u>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, and prescribed guidelines of the RPT Policy, so as to determine whether such RPTs are in the best interests of the Company and Shareholders,</u>

The Audit Committee also assists the Board in its oversight 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)
David M. Consunji Isidro A. Consunji Victor A. Consunji Jorge A. Consunji Ma. 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,[7] 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 May 8, 2014, 56.32% of the I/O shares of the Company.
DACON Corporation	Grandfather company	Substantial shareholder of DMCI Holdings Inc. holding, as of March 31, 2014, 45.77% 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:

[7] Family relationship up to the fourth civil degree either by consanguinity or affinity.

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
	Not Applicable	

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	David M. Consunji	May5,2014	11	8	73
Chairman	Isidro A. Consunji	May5,2014	11	10	91
Member	Victor A. Consunji	May5,2014	11	11	100
Member	Jorge A. Consunji	May5,2014	11	10	91
Member	Cesar A. Buenaventura	May5,2014	11	11	100
Member	Herbert M. Consunji	May5,2014	11	11	100
Member	George G. San Pedro	May5,2014	11	10	91
Member	Ma. Cristina C. Gotianun	May5,2014	11	11	100
Member	Ma. Edwina C. Laperal	May5,2014	11	11	100
Independent	Victor C. Macalincag	May5,2014	11	11	100
Independent	Federico E. Puno*deceased Oct 11, 2014	May5,2014	11	9	82
Independent	Rogelio M. Murga	**Nov 11,2014	11	1**	**

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 papers[8] 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.

(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.

[8] 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.

(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	***Not Applicable***
Audit	***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.***
Nomination	***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.***
Remuneration	***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.***
Risk (as approved by the Board on March 6, 2015)	***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.***
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
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.	**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.**
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	**Consultancy services are paid for by the Company.**

advise the them in fulfilling their responsibilities.	

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	**Explicit provision 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.**	**To formalize** required review by Independent Directors of material/significant RPTs as aligned with**best practices and ASEAN Corporate Governance Scorecard.**
Audit Committee Charter	**Additional provisions on Related Party Transaction (RPT) review and deletion of risk management oversight provisions upon such oversight by the Risk Committee.**	**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	**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 for Semirara Mining and Power Corporation (SMPC) Group	**Amended provisions on the exercise of risk management oversight by the Risk Committee instead of Audit Committee**	**To effect risk management oversight by the Risk Committee as aligned with best practices and ASEAN Corporate Governance Scorecard.**
Insider Trading Policy	**Reporting Period – requiring Board Directors and key officers to report their trades to the Company within three (3) business days when transacting in Company shares.** **Blackout Trading Period for Non-Structures**	**To align with best practices and ASEAN Corporate Governance Scorecard.** **To align with parent DMCI Holdings, Inc.'s Insider Trading Policy.**

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 2% of Company's profit before tax of prior year as set by Amended By-Laws.	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 approval.
Non-Executive Directors	-same as Executive Directors-	Director remuneration consists of an annual	a. Annual retainer of P 240,000;

		retainer fee, Committee meeting per diem for every Committee meeting held and short-term cash incentive as appropriate.	b. Board Committee meeting per diem of P20,000 per Committee meeting; c. Corporate performance-related bonus for Directors, when appropriate and upon Board approval.

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
Director's per diem	May 4, 2009

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 6,972,391	-	-
(b) Variable Remuneration	-	-	-
(c) Per diem Allowance/Committee	1,180,000	1,200,000	900,000
(d) Bonuses	72,669,118	7,352,941	2,941,176
(e) Stock Options and/or other financial instruments	Not Applicable	Not Applicable	Not Applicable
(f) Others (Leave Credits)	1,564,003	-	-
Total	P82,409,726	P 8,552,941	P 3,841,176

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
	NOT	***APPLICABLE***		

(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
	NOT	***APPLICABLE***

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	P32,289,553
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	Non-executive	Independent				

	(ED)	Director (NED)	Director (ID)				
Executive			Not	Applicable			
Audit	1	-	2	√	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; e. risk management processes; and f. compliance with reporting, legal and regulatory requirements.	Pls. refer to Schedule A – Audit Committee Charter, Duties and Responsibilities, items 1-6, pp. 3-6	Pls. refer to Schedule A – Audit Committee Charter, Committee Authority, p.2
Nomination	1	-	2	√	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 36ulfilling its oversight duties relating to Succession Planning, Board performance, Board development.	Pls. refer to Schedule B – Nomination & Election Committee Charter, Duties, pp.1-2	Committee may obtain such outside or other independent processional 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.

Remuneration	1	-	2	√	Assists the Board in fulfilling its responsibilities relating to compensation & remuneration plans, policies and programs of the Company's Directors, officers and key employees.	Pls. refer to Schedule C – Compensation & Remuneration Committee Charter, Duties and Responsibilities, 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.
Risk *(as approved by the Board on March 6, 2015)*	2	1	1	√	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	Pls. refer to Schedule – Risk Committee Charter, Duties and Responsibilities, pp. 3-4	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

					management framework through the following: a.Overseeing that Mgt has identified and assessed all the risks that the organization faces and has established a risk mgt 38pprox.38ucture capable of addressing those significant risks affecting the achievement of the Company's objectives; & b.Overseeing in conjunction with other Board-level Committees or the full Board, that risk-related responsibilities of each Board Committee are clearly addressed.		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. 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. In addition, the Risk Committee may meet with other Board Committees to avoid overlap as well as potential gaps in overseeing the organization's significant risks.
Others (specify)			Not	Applicable			

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 Appoint-ment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Victor C. Macalincag	May 8, 2014	9	9	100	9.67 yrs
Member (ED)	Victor A. Consunji	May 8, 2014	9	9	100	9.67 yrs
Member (ID)	Federico E. Puno *deceased Oct 11, 2014	May 8, 2014	9	5*	56*	*
Member (ID)	Rogelio M. Murga	Nov 11,2014**	9	1**	11**	0.17 yr

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 Appoint-ment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Victor C. Macalincag	Nov 11,2014	3	3	100	9.67 yrs
Member (ED)	Isidro A. Consunji	May 8, 2014	3	3	100	9.67 yrs
Member (ID)	Federico E. Puno *deceased Oct 11, 2014	May 8, 2014	3	1*	33*	*
Member (ID)	Rogelio M. Murga	Nov 11,2014**	3	-**	**	0.17 yr

(d) Remuneration Committee

Office	Name	Date of Appoint-ment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Victor C. Macalincag	May 8, 2014	2	2	100	9.67 yrs
Member (ED)	Ma.Cristina C. Gotianun	May 8, 2014	2	2	100	9.67 yrs
Member (ID)	Federico E. Puno *deceased Oct 11, 2014	May 8, 2014	2	1*	100	*
Member (ID)	Rogelio M. Murga	Nov 11,2014**	2	-**	**	0.17 yr

(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 Appoint-ment	No. of Meetin gs Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman(NED)	Herbert M.Consunji	March 6, 2015				
Member (ED)	Isidro A. Consunji	March 6, 2015				
Member (ED)	Victor A. Consunji	March 6, 2015				
Member (ID)	Victor C. Macalincag	March 6, 2015				
Member (ED)	Ma. Cristina C. Gotianun	March 6, 2015				

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	Federico E. Puno	Death Oct 11, 2014

Audit	Rogelio M. Murga	To fill vacancy Nov 11, 2014
Nomination	Federico E. Puno	Death Oct 11, 2014
Nomination	Rogelio M. Murga	To fill vacancy Nov 11, 2014
Remuneration	Federico E. Puno	Death Oct 11, 2014
Remuneration	Rogelio M. Murga	To fill vacancy Nov 11, 2014
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	Ma. Cristina C. Gotianun	New Committee March 6, 2015
Others (specify)	Not Applicable	Not Applicable

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	Assisted the Board in fulfilling effective oversight of the following functions: ***Financial reporting process and the financial statements*** *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.* ***External audit*** *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 Board the reappointment of SGV & Co. as external auditor in 2014 and 2015.* ***Internal audit*** *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. ***Internal control*** *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.* ***Risk management*** *Discussed with Management the results of risk reviews and identified key risks to the Company's mission and strategic objectives, ensuring that the Company's Enterprisewide Risk Management framework is adequately supported by management information systems, risk mitigation measures, monitoring and reporting. It monitored through the Internal Audit the effectiveness of risk management action plans undertaken by Management to address and manage such risks.* *Approved and endorsed a broad-based ERM Policy for the Company and its subsidiaries.* ***Compliance with regulatory and legal requirements*** *Reviewed and discussed with the Compliance Committee significant updates and actions on SEC, PSE, legal, tax, claims, litigations, environmental, safety and other regulatory matters.* ***Related Party Transactions Oversight*** 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 reasonableness of the	Compliance matters such as tax rulings and updates, etc.

	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. In 2014, 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. ***Good Governance*** Supported the Company's governance framework through continual review and support of good governance policies and best practices. *The Committee Chair attended the Annual Stockholders' Meeting on May 5, 2014 to address possible shareholder queries on Committee matters.* ***Committee Performance Assessment*** 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.	
Nomination	***Nomination and selection*** *Reviewed with the Corporate Secretary the nomination process, criteria, qualifications and final selection of Board nominees for directorship ensuring that they meet the requisite qualifications.* *Deliberated and endorsed for Board approval the appointment of Rogelio M. Murga as new Independent Director, taking into account his qualifications, experience,knowledge*	None.

	and expertise that meet the needs of the Board and are aligned to SMPC Group's strategy, including his Full Business Interest Disclosure to determine conflict of interest, if any. Reviewed and endorsed changes in the roles, membership and leadership of the Board and its Committees. ***Executive succession planning and leadership*** *Discussed and reviewed with senior management the organizational development program, executive succession planning and leadership needs of Semirara Group, as well as discussed movement of SMPC Group's key officers.* ***Board orientation & development*** *Lead the Board orientation with Chairman & CEO, Senior Management and Management Committee to familiarize the new Independent Director with SMPC Group's strategy map, financial and operating performance, significant milestones, corporate governance policies.* *Exercised oversight of the Board's continuing development of the Board and key officers through their memberships in professional organizations, compliance and participation in coporate governance seminars and forums.* ***Board and Committee performance*** *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.* ***Committee Performance*** *Conducted a self-assessment of its Committee performance and accordingly reviewed the Board's, Board Committees' and SMPC's governance structure as benchmarked against the ASEAN*	

	Corporate Governance Scorecard best practices. *The Committee Chair attended the Annual Stockholders' Meeting on May 5, 2014 to address possible shareholder queries on Committee matters.*	
Remuneration	***Board remuneration*** *Reviewed Board and Director remuneration level and framework against market and ASEAN Corporate Governance Scorecard best practices.* ***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.* ***CEO and COO performance appraisal*** *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, incl. business development, risks, controls, governance and corporate social responsibility.* ***Committee Performance*** *Assessed its Committee performance to ensure continual review or improvement.* *Discussed jointly with the Nomination and Election Committee the Full Business Interest Disclosure of new Independent Director Rogelio M. Murga prior to his Board appointment.* *Reveiwed the compensation-related disclosures of Directors and Officers in the Company's annual reports and information statements per regulatory requirements and*	None.

	reporting standards. *The Committee Chair attended the Annual Stockholders' Meeting on May 5, 2014 to address possible shareholder queries on Committee matters.*	
Others (specify)	Not Applicable	Not Applicable

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	Continuous improvement of good governance framework.
Nomination	ASEAN Corporate Governance Scorecard	Continuous improvement of good governance framework.
Remuneration	ASEAN Corporate Governance Scorecard	Continuous improvement of good governance framework.
Risk	ASEAN Corporate Governance Scorecard	Alignment with best practices and improvement of good governance framework.
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 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;
The Board Directors and its Audit Committee have reviewed the risk governance structure, risk management system and reviewed the adequacy and effectiveness of the Company's internal controls and risk management system. The ERM framework is adequately supported by management information systems, risk mitigation measures, monitoring and the reporting of risks that guide the Company in informed decision making, planning and management of such risks.

(c) Period covered by the review;

2014

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and
The Board's Audit Committee discusses with Management the results of annual risk reviews identifying key risks significant to the Company's mission and strategic objectives. It monitors through the Internal Audit the effectiveness of risk mitigation controls and action taken by Management to address and manage such risks. 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 management 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 reporting to the Board, Audit Committee and senior management that risks are indeed effectively managed within approved risk appetite.

The Board approved the creation of a separate Board-level Risk Committee to exemplify the importance of the risk management function on March 6, 2015. The Risk Committee shall meet at least twice in a year or more as determined by the Committee.

(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:		
- Coal Quality and consistency	1. In-situ determination of coal quality for proper blending to ensure it meets customer specifications.	To produce and deliver on time quality coal that meets customers' specifications.
- Supply Chain	2. Implement ISO Integrated Management System to ensure effectiveness and sustainability.	To ensure sustainable supply chain requirements and avoid disruption in operations.
- People & Talent	3. 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 human resources that meet organizational needs and growth.
		To ensure sustainability of business.
	4. Continuous OJT and cadetship program for fresh	

- Natural Calamities (e.g. earthquake, tsunami), environment (typhoon, storm surge, flooding, landslide), slope stability.	graduates for manpower pooling. 5. Expand exploration drilling. 6. Mine management system. 7. Reconnaisance program for new coal concessions. 8. Adhere to mine safety standards for open pit mining i.e. slope gradient and sub-surface and surface dewatering system. 9. Implement Business Continuity Management System. 10. Risk transfer through insurance cover for physical assets, such as Industrial All-Risk, Floater, Fire, Marine Hull and Aircraft Hull insurance covers.	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 ensure early business recovery and continuity of critical services in the event of a disruption, with focus toward building organizational resilience.
2. Market risks - refer to Market and/or Customer Dependence, Price Volatility and macroeconomic Shift in Demand.	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 foreing 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.	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.
3. Investment risks - Capital Allocation - Project Management	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	To enable efficient use, allocation and management of capital and resources within the Company; To maintain a balance between continuity of funding and flexibility

- Guarantees in subsidiaries.	the Project. 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. To manage financial risks from investment or project financing activities in subsidiaries : 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 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.	through the use of bank financing or availment of credit lines; and 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.
4. Reputation and compliance risks - Contractual Breach - Loan Covenants - Laws/Regulations/ Reputation	1. Require Legal review for all contracts & agreements. 2. Regularly coordinate between business units to ensure customers' specifications are satisfied. 3. Legal review before financial closing. 4. Finance review/monitoring on financial covenants. 5. Conform to ISO Integrated Management System – Quality, Safety, Health, Environment 6. Comply with applicable laws and regulations. 7. Keep abreast with emerging laws and regulations affecting mining and power industries.	To ensure sustainability through partnership with key stakeholders. To protect and enhance shareholder value;

(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:		
- Coal Quality and consistency	1. In-situ determination of coal quality for proper blending to ensure it meets customer specifications. 2. Implement ISO Integrated Management System.	To produce and deliver on time quality coal that meets customers' specifications.
- Supply Chain	3. 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.
- People & Talent	4. Continuous OJT and cadetship program for fresh graduates for manpower pooling.	To ensure sustainable human resources that meet organizational needs and growth.
	5. Expand exploration drilling. 6. Mine management system. 7. Reconnaisance program for new coal concessions.	To ensure sustainability of business.
- Natural Calamities (e.g. earthquake, tsunami), environment (typhoon, storm surge, flooding, landslide), slope stability.	8. Adhere to mine safety standards for open pit mining i.e. slope gradient and sub-surface and surface dewatering system. 9. Implement Business Continuity Management System. 10. Risk transfer through insurance cover for physical assets, such as Industrial All-Risk, Floater, Fire, Marine Hull and Aircraft Hull insurance covers.	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 ensure early business recovery and continuity of critical services in the event of a disruption, with focus toward building organizational resilience.
- Asset Performance	11. Engage Original Equipment Manufacturer for repair and rehabilitation of power units.	

	12. Upgrade distribution control system to digital system. 13. Implement plant maintenance system for predictive, preventive and corrective maintenance.	

2. Market risks – refer to Market and/or Customer Dependence, Price Volatility and macroeconomic Shift in Demand.	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 maintain competitive production cost versus those of alternative fuel sources.	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.
3. Investment risks – Capital Allocation - Project Management - Guarantees in subsidiaries.	1. 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 Project. 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	To enable efficient use, allocation and management of capital and resources within the Company; To maintain a balance between continuity of funding and flexibility through the use of bank financing or availment of credit lines; and 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,

	its equity share in the project. 6. Fund through Project Financing. To manage financial risks from investment or project financing activities in subsidiaries : 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 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.	and ultimately maximize shareholder value.
4. Reputation and compliance risks - Contractual Breach - Loan Covenants –Laws / Regulations / Reputation	1. Require Legal review for all contracts & agreements. 2. Regularly coordinate between business units to ensure customers specifications are satisfied. 3. Legal review before financial closing. 4. Finance review/monitoring on financial covenants. 5. Conform to ISO Integrated Management System – Quality, Safety, Health, Environment 6. Comply with applicable laws and regulations. 7. Keep abreast with emerging laws and regulations affecting	To ensure sustainability through partnership with key stakeholders. To protect and enhance shareholder value;

	mining and power industries.	

(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 Management and to the Audit Committee, as appropriate.	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. 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 support in managing Operation Risks. ***Integrated Management System*** 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. ***Emergency Preparedness and Response Program*** 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. ***Business Continuity Management System (BCMS)*** The Company's BCMS aims to ensure early business recovery and continuity of critical services in the event of a disruption, whether anticipated or 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. Emergency Response Plans were subjected to review by a third party consultant to ensure their appropriateness. Business impact assessment workshops and awareness trainings are conducted regularly across the organization ***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".
Market Risks	Same as above	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. The Company has established procedures (e.g., regular coordination meetings, close monitoring of market data, such as coal prices and freight) to ensure the quality, consistency, reliability and competitiveness of our coal supply to customers. 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	The Company, through its quality policy, commits to produce globally competitive coal that exceeds customers' expectations and stakeholders' confidence. 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. Where appropriate, concerned risk owners elevate to senior management

		service quality reports for review and for proper and timely action, if necessary. ***Compliance*** 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. 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 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.
	Environment 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.	***Environment, Health and Safety*** 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. 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 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 sold waste management that promotes proper garbage segregation and reduced consumption of electricity, water and paper, among others. ***Safety*** 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. 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 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. 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. ***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.
Investment risks	Same as above As part of liquidity risk management, the Company continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities.	Cash flow reports and forecasts relative to project funding activities are reviewed weekly to promptly address liquidity concerns.

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	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. 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.	SMPC 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. Further, the continuity of operations is critical to provide stakeholders the necessary confidence that projected business targets and income projections can be managed. SMPC Group is establishing its Business Continuity Plan starting first with the parent (Semirara Mining and Power Corporation) to provide a standardized approach in handling crisis or emergencies, as well as support in managing Operational Risk. <u>SMPC's and its operating power subsidiary SEM-Calaca Power Corporation's Quality Management Systems are certified as meeting the requirements of ISO 9001:2008</u> and have in place the processes 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. ***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". ***Subsidiary Power Plant Safety*** SMPC Group's operating power subsidiary embraces the same 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. 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. 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.
Market Risks	Same as above	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. SMPC Group's ISO-certified Quality Management Systems sustain strong customer focus through established and effective procedures that ensure the quality, consistency, reliability and competitiveness of our coal and power supply to customers. 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	SMPC Group has committed to exceed customers' expectations and stakeholders' confidence. 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. Where appropriate, concerned risk owners elevate to senior management service quality reports for review and for proper and timely action, if necessary. 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. ***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.

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
Audit Committee	Oversight of risk management that risk management practices are aligned with strategic business objectives, policies are followed, limits are respected and controls are established through regular assurance reporting by Management to the Audit Committee and the full Board of topmost significant risks and important changes in the Company's risk profile. <u>The Board approved the creation of a separate Board-level Risk Committeeto exemplify the importance of the risk management function in its Board meeting on March 6, 2015.</u>	Reviews adequacy and effectiveness of the Company's risk management policies and activities on risk identification, assessment, mitigation, control systems, reporting and monitoring, including Management's approach to the management of risks on economic dependency, operating risks of each mine, insurance adequacy and business continuity planning; Oversees Management's activities in managing credit, market, liquidity, foreign exchange, interest, operational, legal and other strategic risks of the Company; and Promotes risk awareness in the organization.
Internal Audit	Independent assurance review and regular reporting of the Company's risk management, control and governance processes	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.
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.	**Enterprise Risk Management (ERM)** 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; 1.2 Promote risk awareness and best practices in the organization; 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; 1.4 Review and approve the risk mgt infrastructure and critical risk management policies, risk appetite and tone at the top throughout the organization; 1.5Monitor the organization's risk profile, its topmost and strategic risks vs. risk limits and risk strategy in accordance with approved guidelines; 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; 1.7 Continually obtain reasonable assurance from Management that all known and emerging risks have been identified and mitigated or

		managed; 1.8 Oversee risk review activities regarding strategic and business development decisions (e.g. acquisitions), initiatives (e.g. new business segment), transactions and exposures; 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 conditions. **2. Board Committees** (1) 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; (2) 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.

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. 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.

(c) Period covered by the review;
2014.

(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.

(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 will enable 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 Karmine Andrea B. San Juan and Carla T. Levina lead and manage the IA function of Semirara Mining 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 reports directly to the Audit Committee and has unrestricted access 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
	Not Applicable

(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 2014 Audit Plan has been completed.
Issues[9]	Findings and appropriate Management response or action are continuously monitored by Internal Audit. Unresolved and pervasive issues, if any, are highlighted and reported to the Audit Committee.
Findings[10]	Findings and appropriate Management response or action 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 audit plan, are improved from year-to-year to produce more value-adding findings and recommendations. In 2014, a risk-based approach is adopted focusing on the risk management, control and governance processes of the Company & 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 a timeline and milestones;***
2) ***Conduct of examination based on the plan;***
3) ***Evaluation of the progress in the implementation of the 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: ***i. Audit Strategic Planning*** ***ii. Audit Engagement Planning*** ***iii. Execution of the Audit***	Done

9 "Issues" are compliance matters that arise from adopting different interpretations.
10 "Findings" are those with concrete basis under the Company's policies and rules.

iv. Reporting of Results v. ***Monitoring of Agreed Action Plans***	
Feedback from audit client is obtained through formal survey upon completion of an individual engagement to assess audit activity effectiveness in meeting the needs of its audit client and opportunities for improvement.	Done after completion of each audit engagement.

(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
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.	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.	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.	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.
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.	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.	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.	
Oversight of external audit by the Audit Committee incl. its review of the performance and independence of the external auditor, and	The Company's Gift and Entertainment policy and guidelines explicitly disallow employees from any interest in or benefit from any supplier that could	Gifts & entertainment are subject to the guidelines of the Company's policy.	Gifts & entertainment are subject to the guidelines of the Company's policy.

pre-approval of non-audit engagement, scope, fees & terms with the external auditor.	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.		

(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. <u>The Company's 2014 Revised Code of Corporate Governance has been communicated to all Directors, Officers and Employees to apprise them of the amendments mainly due to the explicit inclusions of the Company's duties and responsibilities to the stakeholders.</u>

14) ROLE OF STAKEHOLDERS

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

	Policy	**Activities**
Customers' welfare	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.	The Company measures the characteristics of coal to ensure that customer requirements are determined and understood with notification to the customer of significant changes, if any, communicated in a timely manner before effecting any change. Tests are conducted and results recorded to evidence conformity with the requirements. Coal shall not be loaded and shipped until all the tests are conducted and all results passed the customer's specification.

		Customer safety during Mine Site visits is ensured through observance of safety procedures while at Company premises. 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.
Supplier/contractor selection practice	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.	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. 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.
Environmentally friendly value-chain	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 environmental and social	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 for significance and necessary control

	responsibility performance standards. Its supply chain management policy considers the impact and influence of its procurement practices related to raw material inputs and natural resource utilization.	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. 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 sold waste management that promotes proper garbage segregation and reduced consumption of electricity, water and paper, among others. **Air Pollution Management** 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 Management** 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 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. **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. 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 from the ash, i.e. energy locked in the unburned carbon and refunds to the boiler. 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.
Community interaction	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 E's – Electrification, Education, Employment and Livelihood, Economic Empowerment and Environmental Protection. The 5 E's program is replicated in its power plant subsidiaries.	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. This preparedness with early evacuation two nights before has greatly helped and minimized damage during the Super typhoon Yolanda (Haiyan) although Semirara Island was in the typhoon's direct path. **5 E's PROGRAM** : **Electrification** 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.

		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. **Education** 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. **Employment and Livelihood** The Company is the single biggest employer of Semirara Island, with 72pprox.. 54% of its mining operations workforce from Semirara Island/Caluya, 7% from Panay and 39% from other regions in the Philippines. **Economic Empowerment** 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. Infrastructure support included construction of local chapels, an ice plant for fish and marine catch of fishermen and footbridges, among others. **Environmental Protection** 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. Measurements from 2009 to 2013 showed noise levels in populated areas in Bgy. Semirara to be within standard as prescribed in Presidential Decree 984, Noise Control for Class C Residential Areas at daytime. d. Regular and surveillance audits are consistently conducted by internal auditors, external parties and local regulators to assess continuing 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. e. The Company established the Tabunan Marine Hatchery Laboratory to lead the efforts in marine rehabilitation through spawning and reseeding 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. f. The Company has planted more than 2.2 million trees on the island in the past 13 years. More than 66,000 fruit-bearing trees were also planted, and more than 192

		hectares were developed for mangroves, during this period. Almost 1.2 million trees were planted all over the island in 2013 alone. Of the 1.2 million trees, 470,730 were planted to expand the rehabilitated area in Panian to 315 hectares (up from 200 hectares in 2102), while 412,586 were planted around Unong Lake to continue rehabilitation in the mined-out site in Barangay Tinogboc. Note: Relevant sustainability reporting data are disclosed in the Corporate Sustainability & Responsibility section of the Company's Integrated Annual Report.
Anti-corruption programmes and procedures?	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. 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. 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. 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	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. b. In general, employees may accept a gift or an invitation to meals from clients or suppliers subject to certain conditions and a nominal value threshold of Two Thousand Pesos (P 2,000). If the gift is more than this amount, and meets all the conditions prescribed, the employee should accept it with gratitude on behalf of the Company and formally turn it over as Company's property to the VP – Administration for proper disposition. 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. d. The Whistleblowing reporting system includes the use of a

	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. 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. 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 suspected fraud or corruption.	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. 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. f. <u>The Anti-Fraud and Ethics Program aims to achieve a holistic approach towards the continual improvement of the organization's ethics maturity level and the effectiveness of its ethics-related policies, communication, assurance activities and other processes.</u>
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 Sustainability & Responsibility section which describes the Company's corporate social responsibility program, 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 sold waste management that promotes proper garbage segregation and reduced consumption of electricity, water and paper, among others. Now in its 6th year, the recertifcation of the Company's coal mining operation has been duly recommended to United Kingdom Accrediation Service (UKAS) by the external conformity assessment body, 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. The hospital's pharmacy offers more reliable supply and discounted cost of medicines. *The infirmary operates with the support of four (4) medical doctors on call, two (2) dentists, two (2) medical technologists, one (1) x-ray technician, seven (7) nurses, a midwife, three (3) nurse aides who also function as pharmacy assistants, and caregivers. The infirmary has been reinstated as an accredited facility by the Philippine Health Insurance Corporation (PhilHealth) in 2013. In 2014, it joined the National External Quality Assessment Scheme (NEQAS) of the DOH's quality assurance program for clinical laboratories. All medical and health personnel received trainors' training on Basic Life Support (BLS) and received two-year certification as cardiopulmonary resuscitation (CPR) rescuers from the DOH in October.*

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

2014 SAFETY DATA

	Mine Site	Power Plant Site
No. of Non-Lost time Accidents, Non-Fatal	53	2
No. of Lost time Accidents, Non-Fatal	0	0
No. of Lost time Accidents, Fatal	0	1
Lost Work Days	0	6,000
Total Manhours Worked	6,629,991.5	628,543.2
Lost Time Injury Rate or Frequency Rate	0	6.04

Severity Rate	0	36.22

	Mine Site	Power Plant	Corporate Office	Total Operating Workforce
No. of Safety Committee Personnel	39	32	12	83
Total	2,575	246	111	2,932

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)
13th 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		
Retirement Benefit (RA 7641) – Your Company has a funded, noncontributory defined benefit plan.		

Additional Company Benefits for Mine Site Workforce:
Free Housing
Free Power & Water utilities
Free Education (K to 12) for dependents
Subsidized medicine cost in Company hospital pharmacy

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. Professional development programs also include technical trainings of engineers outside the country.

MINING WORKFORCE 2014 TRAINING HOURS PER CATEGORY PER WORKFORCE LEVEL

Training Category	Executives	Managers	Supervisors	Staff	Total
Professional & Technical Development	107	92	364	1,940	2,503
Leadership	160	232	236	1.076	1.704
Quality Management System	-	36	124	1,828	1,988
Environment, Health & Safety	7	24	190	4.020	4,241
Behavioral	-	-	12	988	1,000
No. of Training Hours	274	384	926	9,852	11,436
Training Hours per Category %	2%	3%	8%	86%	100%
Number of Mining Workforce					2,674
Average training hours per Mining Workforce					4
Total 2014 Training Spend					P3,163,602
Average Training Spend per Mining Workforce					P1,183

SOUTHWEST LUZON POWER GENERATION CORPORATION (Subsidiary)
POWER WORKFORCE 2014 TRAINING HOURSPER CATEGORY PER WORKFORCE LEVEL

Training Category	Executives	Managers	Supervisors	Staff	Total
Professional & Technical Development	0	144	8,584	40,600	49,328
Leadership	0	80	32	0	112
Quality Management System	0	0	0	0	0
Environment, Health & Safety	0	0	56	40	96
Behavioral	0	0	0	0	0
No. of Training Hours	0	224	8,672	40,640	49,536
Training Hours per Category %	0%	0%	18%	82%	100%
Number of Power Subsidiary Workforce	0	11	26	77	114
Average training hours per level	0	25	377	572	481
Total 2014 Training Spend (Capitalized and Expensed)					P25,066,687
Average Training Spend per Power Subsidiary Workforce					P 219,883

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, 2014)*

Shareholder	Number of Shares	Percent	Beneficial Owner
DMCI Holdings, Inc.	601,942,599	56.32%	1. Dacon Corporation holds 6,076,969,505 shares or 45.77% 2. DFC Holdings, Inc. holds 2,370,782,060 shares or 17.86% 3. PCD Nominee Corp. (Foreign) holds 2,220,623,841 shares or 16.72% 4. PCD Nominee Corporation

			(Filipino) holds 2,215,867,169 shares or 16.69%
PCD Nominee Corp. (Filipino)	143,473,623	13.22%	N/A
Dacon Corporation	130,825,527	12.24%	1. Inglebrook Holdings, Inc. holds 3,948,510 shares or 12.42% 2. Eastheights Holdings, Inc. holds 3,948,510 shares or 12.42%[11]
PCD Nominee Corp. (Foreign)	120,898,542	11.31%	Hongkong and Shanghai Banking Corp. Ltd holds 101,671,051 shares or 9.51%

Name of Senior Management	Number of Direct shares[12]	Number of Indirect shares / Through (name of record owner)[13]	% of Capital Stock
Isidro A. Consunji	6,036	969,918	0.09
Victor A. Consunji	36	1,581,414	0.15
Ma. Cristina C. Gotianun	357	1,210,104	0.11
George G. San Pedro	120,090	-	0.01
Jaime B. Garcia	144,108	-	0.01
Junalina S. Tabor	-	-	0.00
Nena D. Arenas	3,000	-	0.00
John R. Sadullo	-	-	0.00
Antonio R. Delos Santos	15,000	-	0.00
Jose Anthony T. Villanueva	750	13,890	0.00
Sharade E. Padilla	1,800	270	0.00
TOTAL	**291,177**	**3,775,596**	**0.38**

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	No, Remuneration is

[11] 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.
[12] As of February 28, 2015.
[13] *Ibid.*

directors/commissioners	disclosed as part of a group total in compliance with SEC reporting format.

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.	**PHP4.9 M, incl. Subsidiaries' audit fee of PHP2.6 M**	**In 2014, non-audit fees paid to SGV amounted to P991,200 for engagements in performing a technical assessment service on IT vulnerabilities and as an independent party to count and/or validate the votes at the Annual Stockholders' Meeting.**

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:
March 6, 2015

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 Note 18 of the Company's 2014 Audited Financial Statements.

RPT	Relationship	Nature	Value
Refer to Note 18 AFS.			

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?
To determine that material 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 level stipulated by the regulatory rules and requirements on material RPTs and prescribed guidelines of its RPT Policy.

The Board-approved RPT 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 oversight 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

(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 2014 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 <u>not</u> 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
April 29, 2014 /Cash	May 15, 2014	May 28, 2014
March 6, 2014/Stock	September 8, 2014	September 24, 2014

(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@semiraraminingmkti.net.
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, 2014***

    b. Date of the Annual/Special Stockholders' Meeting: ***May 5, 2014***

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Mr. Alfred Reiterer, stockholder of the Corporation asked the following questions:

Q: My question is related to the coal price. Coal prices now is very low, at what price will the Company begin to incur losses?

A: If coal prices will continue to go down, our mining cost as far as coal mining operations is concerned is at PHP900/MT. This is the direct mining cost. If coal prices will be lower than PHP900 to PHP1,000 level, the Company will be incurring losses, **replied by Ms. Junalina S. Tabor, Chief Finance Officer of the Corporation to whom the question was directed.**

Q: How much production is contracted for long-term?

A: We have a long-term contract with Global Power for ten years. Currently, the contract is on its fourth year and about six years to go. Contracted coal is about 900 MTS per annum, **replied by Mr. Victor A. Consunji, President and Chief Operating Officer of the Corporation.**

Q: When do you expect coal prices to go up?

A: I think one of the contributing factors is the slowdown in China that is why the price is depressed, and Indonesia, has a very uncontrolled production and exporting, that is probably one of the reasons why there is a big over supply, **explained by Mr. Victor Consunji.**

A member from the media inquired to the Board as follows:

Q: Aside from the 2x150 MW power plant, do you have another project in the pipeline?

A: Yes, we applied recently with the Board of Investments (BOI) and with Department of Energy (DOE)'s consent and approval for another 2x350 MW power plant.

Q: That is the 2x350 MW right?

A: No, only the first 1x350 MW power plant which uses the pulverized coal technology, **replied by Mr. Victor Consunji.**

Q: How about the one with St. Raphael, the 400MW?

A: That is "up to 400 MW capacity", **said Mr. Victor Consunji.**

Q: How much is the capital expenditure (CAPEX) per megawatt of the power plant?

A: The CAPEX for the first 2x150 is about USD450 million or about USD1.3 million per megawatt, **replied by Mr. Victor Consunji. Mr. Isidro Consunji added that** ***"unlike the first one, this is not thoroughly financed, this called break-finance so we have not contracted the power yet regarding the offtake.***

Q: Regarding the issue with Meralco, how much is the Company's receivables because of the issue on higher rates?

A: Our receivable is around PHP700 million, which was restrained by Supreme Court via temporary restraining order (TRO). However, with recent ruling of the ERC, the Company is being asked to refund PHP700 plus million, so basically we do not know whom to follow, **said Mr. Isidro Consunji.**

Q: What is the Company's performance for the second quarter in relation to the stock market?

A: **Mr. Isidro Consunji said:** ***Right now, unfortunately our second quarter is not very good, because we have a problem in the power plant, but we hope to recover. As we speak, we are testing and commissioning our plant (Unit 2 of the Calaca Plant).***

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 6, 2013	286,033,695 or 99.73%	none	769,450
Approval of Management Report	285,890,715 or 99.68%	50,000	769,450
Ratification of Acts of Officers & Board of Directors in 2013	274,526,057 or 95.71%	none	12,184,108
Ratification of the Corporation to execute securities and corporate guarantees in relation to the procurement of Project Debt Facility by its wholly-owned subsidiary, St. Raphael Power Generation Corporation	274,573,887 or 95.73%	2,170	12,134,108
Approval to the amendments to the Corporation's Articles of Incorporation – changing the corporate name to Semirara Mining and Power Corporation	286,710,165 or 99.96%	none	none
Approval to the amendments to the Corporation's Articles of Incorporation – increasing the authorized capital stock from PHP1 Billion to PHP3 Billion	285,956,485 or 99.70%	753,680	none
Approval to the amendments to the Corporation's Articles of Incorporation – indicating the complete principal address of the corporation to 2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City	286,710,165 or 99.96%	none	none
Approval to the amendments to the Corporation's By-Laws amending Section 8, Article II thereof increasing the quorum requirements to conduct business by the Board of Directors from majority to two=thirds (2/3)	275,345,507 or 96.00%	none	11,364,658
Approval of 200% stock dividends amounting to PHP712,500,000 divided into 712,500,000 shares at the par value of PHP1.00 per share or two common shares for every one common share held	275,345,507 or 96.00%	none	11,364,658
Appointment of External Auditor	281,574,004 or 98.17%	none	5,136,151

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 5, 2014. 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	David M. Consunji, Isidro A. Consunji, Victor A. Consunji, Cesar A. Buenaventura, Jorge A. Consunji, Ma. Cristina C. Gotianun, Ma. Edwina C. Laperal, Herbert M. Consunji, Victor C. Macalincag, John R. Sadullo, Jaime B. Garcia, Junalina S. Tabor, Jose Anthony T. Villanueva, Antonio R. Delos Santos, Sharade E. Padilla	May 5, 2014	Poll balloting	.01039%	81.08%	81.08%
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	664 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 the Company via registered mail
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	April 8, 2014
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.	No, the same is not required.
The amount payable for final dividends.	No, dividends were declared only after the Notices were sent
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 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	1. To sustain investor confidence by providing knowledge, understanding and transparency of the Company's business, operating and financial condition to the investing public ; 2. To effectively communicate corporate messages in a timely manner and make management accessible to investors; and 3. To facilitate the exercise of ownership rights by all shareholders, including institutional investors
(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, participation in investor conferences, conference calls, emails, hosting of site visits, disclosures to PSE/SEC, 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 CSR:

INITIATIVE	BENEFICIARY

INITIATIVE	BENEFICIARY
Employment and Livelihood	
Employ local residents	Workforce of 2,575, 56% of which come from Semirara, Caluya and Panay. Minesite payroll in 2014 reached PhP898.43 million.
Food court with 11 food stalls and nine (9) dry goods stalls	Ten (10) food stalls operated by dependents of company workers and island residents provide access to affordable meals and snacks for members of the community. The food court now also serves as a venue for big island events and activities.
Support fishing associations	Semirara Fishing Association (SEMFA) operating five (5) boats and ComRel four (4) boats~~.~~
Support local food production: demonstration farms	Four (4) indigent families planted 2.6 hectares that yielded 8,229.50 kilograms of rice and grossing PhP135,786.75 in 2014
Education	
Schoolbuildings and facilities	In 2014, Semirara Mining and Power Corporation spent PhP3.9 million on construction materials and repairs of classrooms in Tinogboc Elementary School, Tinogboc National High School (TNHS) and on painting the six (6) - classroom building of Bunlao Elementary School. It also spent PhP1.7 million on materials for the construction of a four (4)-classroom building for Antique College on the island of Caluya. The company also started to build a PhP7-million gymnasium for TNHS in November 2014 that is expected to be ready for turn over to the school by the end of school year 2014-2015.
Semirara Training Center, Inc. continues to develop technical skills for manpower requirements of the company and for improvement of marketable skills of local youth	Since its establishment in 2006 until end-December 2014, TESDA-accredited STCI has had 1,253 enrollees, of which, 946 have graduated. Of the graduates, 453 or 48% remain employed with the company.
"Maligayang Semirara" to promote community- and self-sustainability among residents through arts, music and sports	Maligayang Semirara organized its Summer Camp 2014, which attracted 423 participants from the islands of Semirara, Caluya and Sibay to train in athletics, badminton, baseball/ softball, boxing/ Muay Thai, dance, soccer, tennis, volleyball, brass band, rondalla, and pottery and handicrafts. The program also organized two fun runs in 2014. 250 fitness enthusiasts joined SemiraRUN on 10 August, and 430 the Fiesta Run on 12 December. As of December 2014, Maligayang Semirara has about 500 active members from the Semirara Island community.
Environmental Protection	

INITIATIVE	BENEFICIARY
Tabunan Marine Hatchery Laboratory	In June 2014, through the assistance of one of the country's National Scientists, Dr. Edgardo Gomez, the facility linked with the Marine Ecology Research Center of Malaysia. The linkage facilitated an exchange of three (3) pieces of broodstock and 150 pieces of juveniles of *T. gigas* from Semirara for three (3) pieces of broodstock and 150 pieces of juveniles of *Hippopus porcellanus* from Sabah, Malaysia. The *H. porcellanus* then completes on the island of Semirara the seven pieces of giant clams that live in the tropical regions of the world. Current population of giant clams on Semirara Island is 85,975.
Inland reforestation and mangroves area development	Semirara Mining & Power Corporation planted almost three (3) million trees, including mangrove trees, in 2000-2014. In 2014, the reforestation team did an inventory and found out that of the total number of three million, 2.2 million trees survived, about half a million of that are mangrove trees.
"I Love Semirara Times Three," a joint campaign with the Municipality of Caluya and Council of Barangay Semirara for ecological solid waste management	Semirara Mining and Power Corporation maintains a Materials Recovery Facility (MRF) and produces organic fertilizer from the biodegradable waste it collected from its offices, housing facilities, nurseries and reforestation areas, DWSSII and STCI. The MRF also serves Barangay Semirara by handling the wastes, collected by the local government unit from around the barangay, for proper disposal. In 2014, the MRF received a total of 332,000 kilograms of biodegradable, recyclable and residual waste. From the biodegradable waste, 118,000 kgs. of organic fertilizer were produced. Audio-video materials continue to be aired on the local community channel to remind community members to segregate wastes from the office, field operations and the households to sustain the production of organic fertilizer and to manage non-biodegradable materials.
Unong rehabilitation	The company is planting and maintaining high-value trees and ornamental plants around the lake. The three (3) - kilometer road along the rim of the lake is also being maintained, continuing to set up a zipline over the lake water to provide recreation to island residents. In 2014, the company started to develop nearly 100 hectares of land in the northwestern side of the lake to plant napier *(Pennisetum purpureum)* and star grass *(Cynodon nlemfuensis)* intended to support a dairy farm in the next one or two years.

INITIATIVE	BENEFICIARY
Electrification	
Island power service	Each employee's household continues to get free 300kwh allocation. Island residents also enjoy P200 each, a benefit given by Bgy. Semirara. The company, however, spends about PhP7 to PhP11 per kwh to generate power that is distributed to island consumers by ANTECO at PhP5.10. The electric cooperative pays the company only PhP2.50/kwh.
New 15MW coal-fired power plant utilizing the Circulating Fluidized Bed (CFB) technology	The new 1x15MW coal power plant brings up to 34MW the total reliable load available on Semirara Island. Power supplied to company housing facilities reached 5,878,161 kwh in 2014, while the communities on the island consumed 3,017,090 kwh.
Economic empowerment	
Using mine waste to manufacture construction materials	The budding industry provides employment to locals. As the viability of commercial production is being established, the bricks and contraction materials from Semirara Island's clay are being used to construct much needed infrastructure on the island like school buildings and facilities, offices, and buildings for general use including churches. The island's bricks are being used to build a ten-classroom building for an elementary school in Javier, Leyte.
Development of limestone	Production of calcine from limestone is pursued to address current and future requirements of the company's power plants. Calcination operations in Bgy. Semirara provide employment to locals.
Health and medical services	
Employee and community heath	The company's health program covers annual physical examination, physical fitness and sports activities. The company provides free primary medical services to mine site employees and their dependents, and local residents at a Company -owned and –operated facility that has been reclassified as an infirmary by the Department of Health (DOH) in 2012. The infirmary has been reinstated as a facility accredited by the Philippine Health Insurance Corporation (PhilHealth) in 2013.

INITIATIVE	BENEFICIARY
Emergency preparedness	
Emergency management and search and rescue training with the local governments and the community	For the third 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. The Office of the Provincial Disaster and Risk Reduction Management (DRRM) was once again tapped to train the island management group and the teams of first responders on 05-08 May 2014. One important accomplishment of the activity is the completion and submission of the three (3) barangays of Semirara Island, namely, Alegria, Semirara and Tinogboc, of their respective DRRM plans to the Office of the Mayor of Caluya. Although Typhoon Hagupit (Ruby) of December 2014 was initially expected to land in Semirara, the island was fortunately spared when the typhoon shifted direction and weakened. The preparations for its landfall, however, mobilized the island communities and allowed the LGUs, the island's leaders and the company to identify areas and situations where they can work on together in synchrony. Several company facilities were used as evacuation centers. The company also extended transportation support and relief supplies to evacuees from various parts of the island.

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

Initiative (2014)	Beneficiary
Education and Skills Training	***Scholarships*** ***Engineering and Excellent Performers - 25*** ***Skills Training*** ***First Rigging Skills Training - 22*** ***First Shielded Metal Arc Welding - 29*** ***Second Shielded Metal Arc Welding PM - 19*** ***First Electrical Installation & Maintenance - 23*** ***Second Electrical Installation & Maintenance - 25*** ***Fourth Pipefitting Skills Training AM - 26*** ***Fourth Pipefitting Skills Training PM - 19*** ***Fifth Pipefitting Skills Training - 35*** ***First Reinforcing Steel Works - 15*** ***First Mechatronics NC II - 22*** ***Second Mecharonics NC II - 21*** ***Second Rigging Skills Training - 24*** ***Construction Occupational Safety and Health - 30***
	Teacher Trainings ***Effective Teaching Techniques - 74 teachers from Calaca*** ***Maximizing Academic Performance - 70 teachers from Calaca*** ***Teaching Science through Interactive Approaches Seminar/Workshop - 105 science teachers from Balayan***
	Travelling Interactive Science Centrum stationed at Balayan West Central School, the Science on the Move Exhibit - 8,303 elementary students and 3,641 high school students ***Donation of booster pump and pressurized tank to Dacanlao G. Agoncillo National High School*** ***Donation of various Science Laboratory Equipment to Dacanlao National High School*** ***Donation of LCD Projector with projector screen to DGANHS*** ***Donation of LCD Projector with projector screen to Calaca Academy School*** ***Donation of LED Projector to Baclaran Elementary School*** ***Donation of LED Projector to Dacanlao G Agoncillo Elementary School*** ***Donation of LED Projector to Sampaga Elementary School*** ***Donation of LED Projector to Pantay Elementary School*** ***Various Brigada Eskwela projects for schools in Calaca and Balayan – donation of paint, lockers, plywood***

Infrastructure support	***School facilities*** ***1. Balayan National High School - 6 classrooms*** ***2. Completion of Multi-purpose Gymnasium for St. Raphael Archangel Parochial School*** ***Host Barangays*** ***1. Repair of footbridge at Barangay Loma, Calaca*** ***2. Tiling works for Brgy. Baclaran Chapel in Balayan*** ***3. Repair of Drainage Canal Along AM Casanova Road in San Rafael, Calaca*** ***4. Repair of Sitio Carachucha Chapel in Barangay Cahil, Calaca*** ***5. Repair of the roof of Barangay Dacanlao covered court***
	1. Facilitated the donation of three 10kva transformers for the water system of Barangay Dacanlao ***2. Facilitated the donation of a CCTV System for Barangay Baclaran***
Health	***Conduct of 12 free clinic sessions serving the three (3) host barangays and other Barangays such as Barangays Calantas, Quizumbing and Pantay in Calaca and Barangays Caybunga, Durungao and Sampaga in Balayan*** ***Conduct of Medical Missions/Operation Tuli:*** ***Medical-Dental Mission at Barangay Dacanlao - 378+103 = 481*** ***Medical-Dental Mission at Barangay San Rafael - 61+43 = 203*** ***Optical Mission at Barangay Dacanlao Multi-purpose Hall for Dacanlao and San Rafael residents – 97 patients*** ***Operation Tuli at Dacanlao Day Care Center - 95 patients*** ***Donation of assorted medicine for the Balayan senior citizens' medical mission*** ***Donation of assorted medicine for the medical mission in the Municipality of Tuy***
Environmental Protection	***Coastal clean-up at Barangay Quizumbing – March and May*** ***River clean-up at Cawong and Dacanlao River*** ***Donation of Trashcans to the following:*** ***St. Raphael Archangel Parochial School - 10*** ***Barangay San Rafael - 20*** ***Barangay 6, Calaca - 20***
	Tree Planting / Seedling Distribution: ***Bamboo Planting along Cawong River - 42 bamboo seedlings*** ***Bamboo Planting along Dacanlao River -180 seedlings*** ***Tree Planting along Cawong River - 50 mahogany seedlings*** ***Tree Planting along Dacanlao River - 125 seedlings*** ***Seedling Distribution for Balayan PNP - 1000 seedlings*** ***Seedling Distribution for Brgy. Sambat - 1000 seedlings*** ***Archdiocesan Ministry for Environment (AMEN) - 300***

	seedlings ***Seedling Distribution for San Piro National High School - 300*** ***Seedling Distribution for CENRO - 2,750 assorted seedlings***
Livelihood	***Distribution of four pure-bred Brahman cattles to the Municipality of Calaca for the upgrading of cattle breed*** ***Sponsorship of Biogas Technology Seminar/Workshop for interested residents of host communities*** ***Sponsorship of Mushroom culture and spawn production seminar/workshop for interested residents of host communities***

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	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. 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.	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. Areas to assess effectiveness of the Compensation and Remuneration Committee, and Nomination and Election Committee include performance of oversight duties and responsibilities as per SEC Revised Code of 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.	The Board-approved Balanced Scorecard encompasses key result areas on financial performance relating to the Company's business and operating objectives, and non-financial metrics covering strategic objectives, governance, risk management, internal control, 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

SEMIRARA MINING AND POWER CORPORATION

SEC FORM 17-A

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

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, 2014 and 2013, 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 6th day of March 2015.

ISIDRO A. CONSUNJI
Chairman of the Board &
Chief Executive Officer

JUNALINA S. TABOR
Chief Finance Officer

SUBSCRIBED AND SWORN, to before me on this MAR 19 2015 day of March 2015, at Makati City, Metro Manila, affiants exhibited to me:

Name	Passport/CTC No.	Expiry Date/Place Issued
Isidro A. Consunji	EB2033364	March 6, 2016/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. 441;
Page No. 89;
Book No. II;
Series of 2015.

ATTY. REDENCIO C. VILLARIVERA
Notary Public for Makati City
For the term ending 31 December 2015
Roll No. 45335; Appointment No. M-365
4th Floor, Dacon Building , No. 2281
Pasong Tamo Extension, Makati City
IBP No.0995318/Feb.2, 2015/Makati
PTR No.4789099/Feb.3,2015/Makati
MCLE Compliance No. IV-0020719

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 0 9 1 4 4 7

Company Name

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES (formerly Semirara Mining Corporation and Subsidiaries)

Principal Office (No./Street/Barangay/City/Town/Province)

2nd Floor, DMCI Plaza Building 2281 Pasong Tamo Extension, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
N/A	8167301 to 10	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
668	05/05	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Junalina S. Tabor	jstabor@semirarampc.com	888-3025	N/A

Contact Person's Address

2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City 1231

Note: 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.

conso

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Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

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, 2014 and 2013, 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, 2014, 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.

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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, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-A (Group A),
May 31, 2012, valid until May 30, 2015
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751335, January 5, 2015, Makati City

March 6, 2015

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 15 2015
EXCISE LT REGULATORY DIVISION

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
(Formerly Semirara Mining Corporation and Subsidiaries)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 29 and 30)	**₱3,683,125,544**	₱4,819,307,265
Receivables (Notes 5, 18, 29 and 30)	**4,127,721,276**	4,031,651,937
Inventories (Notes 6 and 8)	**2,792,331,113**	4,629,560,568
Other current assets (Notes 7 and 28)	**2,169,449,877**	1,319,685,738
Total Current Assets	**12,772,627,810**	14,800,205,508
Noncurrent Assets		
Property, plant and equipment (Note 8)	**34,452,040,736**	27,286,155,824
Investment in sinking fund (Notes 9, 13, 29 and 30)	**521,780,873**	517,603,224
Exploration and evaluation asset (Note 10)	**1,914,437,638**	348,152,638
Deferred tax assets (Note 25)	**704,195,424**	139,957,352
Other noncurrent assets (Notes 11, 28, 29 and 30)	**1,536,293,213**	1,635,316,348
Total Noncurrent Assets	**39,128,747,884**	29,927,185,386
	₱51,901,375,694	₱44,727,390,894
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 14, 18, 29 and 30)	**₱8,805,562,841**	₱6,184,656,544
Short-term loans (Notes 12, 29 and 30)	**1,218,753,398**	1,655,079,934
Current portion of long-term debt (Notes 13, 29 and 30)	**2,113,885,350**	2,151,158,019
Total Current Liabilities	**12,138,201,589**	9,990,894,497
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 13, 29 and 30)	**16,088,724,435**	13,657,488,332
Provision for decommissioning and site rehabilitation (Note 15)	**175,295,942**	196,504,051
Pension liabilities (Note 19)	**49,029,893**	31,645,362
Other noncurrent liabilities (Notes 11 and 18)	**743,912,319**	723,346,948
Total Noncurrent Liabilities	**17,056,962,589**	14,608,984,693
Total Liabilities	**29,195,164,178**	24,599,879,190
Equity		
Capital stock (Notes 16 and 29)	**1,068,750,000**	356,250,000
Additional paid-in capital (Notes 16 and 29)	**6,675,527,411**	6,675,527,411
Remeasurement gains (losses) on pension plan (Notes 19 and 29)	**(13,471,337)**	(5,876,670)
Retained earnings (Notes 17 and 29)		
Unappropriated	**12,675,405,442**	10,801,610,963
Appropriated	**2,300,000,000**	2,300,000,000
Total Equity	**22,706,211,516**	20,127,511,704
	₱51,901,375,694	₱44,727,390,894

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		
	2014	2013	2012
REVENUE (Note 32)			
Coal	**₱16,276,929,798**	₱12,573,569,245	₱14,450,155,334
Power	**12,308,411,291**	14,757,590,738	9,700,092,214
	28,585,341,089	27,331,159,983	24,150,247,548
COST OF SALES (Notes 20 and 32)			
Coal	**10,228,011,439**	8,664,871,498	9,825,154,753
Power	**8,699,475,102**	5,445,624,630	4,818,786,103
	18,927,486,541	14,110,496,128	14,643,940,856
GROSS PROFIT	**9,657,854,548**	13,220,663,855	9,506,306,692
OPERATING EXPENSES (Notes 21 and 32)	**(3,220,999,377)**	(5,264,517,633)	(3,398,375,301)
INCOME FROM OPERATIONS	**6,436,855,171**	7,956,146,222	6,107,931,391
OTHER INCOME (CHARGES)			
Finance income (Notes 23 and 32)	**41,452,768**	26,804,566	82,144,317
Finance costs (Notes 22 and 32)	**(323,228,324)**	(381,229,343)	(501,280,033)
Foreign exchange gains (losses) - net (Note 32)	**(52,140,999)**	(481,177,225)	391,000,330
Other income (Notes 24 and 32)	**205,488,733**	281,208,758	318,448,268
	(128,427,822)	(554,393,244)	290,312,882
INCOME BEFORE INCOME TAX	**6,308,427,349**	7,401,752,978	6,398,244,273
PROVISION FOR (BENEFIT FROM) INCOME TAX (Notes 25 and 32)	**(552,867,130)**	(117,838,304)	39,604,266
NET INCOME	**6,861,294,479**	7,519,591,282	6,358,640,007
OTHER COMPREHENSIVE INCOME			
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on pension plan (Note 19)	**(10,849,524)**	17,984,320	(23,418,326)
Income tax effect	**3,254,857**	(5,395,296)	7,025,498
	(7,594,667)	12,589,024	(16,392,828)
TOTAL COMPREHENSIVE INCOME	**₱6,853,699,812**	₱7,532,180,306	₱6,342,247,179
Basic/Diluted Earnings per Share (Note 26)	**₱6.42**	₱7.04	₱5.95

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 Gains (Losses) on Pension Plan (Note 19)	Total
			For the Year Ended December 31, 2014			
Balances as of January 1, 2014	**₱356,250,000**	**₱6,675,527,411**	**₱10,801,610,963**	**₱2,300,000,000**	**(₱5,876,670)**	**₱20,127,511,704**
Comprehensive income						
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**
			For the Year Ended December 31, 2013			
Balances as of January 1, 2013	₱356,250,000	₱6,675,527,411	₱9,157,019,681	₱700,000,000	(₱18,465,694)	₱16,870,331,398
Comprehensive income						
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

	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Unappropriated Retained Earnings (Note 17)	Appropriated Retained Earnings (Note 17)	Remeasurement Gains (Losses) on Pension Plan (Note 19)	Total
			For the Year Ended December 31, 2012			
Balances as of January 1, 2012	₱356,250,000	₱6,675,527,411	₱7,073,379,674	₱700,000,000	(₱2,072,866)	₱14,803,084,219
Comprehensive income						
Net income	–	–	6,358,640,007	–	–	6,358,640,007
Other comprehensive income	–	–	–	–	(16,392,828)	(16,392,828)
Total comprehensive income	–	–	6,358,640,007	–	(16,392,828)	6,342,247,179
Cash dividends declared	–	–	(4,275,000,000)	–	–	(4,275,000,000)
Balances as of December 31, 2012	₱356,250,000	₱6,675,527,411	₱9,157,019,681	₱700,000,000	(₱18,465,694)	₱16,870,331,398

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		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱6,308,427,349**	₱7,401,752,978	₱6,398,244,273
Adjustments for:			
Depreciation and amortization (Notes 8, 11, 20 and 21)	**1,984,125,281**	3,852,000,854	2,864,685,264
Finance costs (Note 22)	**323,228,324**	381,229,343	501,280,033
Net unrealized foreign exchange losses (gains)	**57,873,085**	309,119,279	(222,718,411)
Pension expense (Note 19)	**17,284,869**	19,939,843	8,286,117
Loss on disposal and write-down of property, plant and equipment (Notes 8 and 21)	**110,976**	449,910,879	341,146,346
Gain on sale of equipment (Notes 8 and 24)	**(336,750)**	(135,073)	(127,491,090)
Provision for (reversal of) allowance for inventory obsolescence (Note 6)	**(12,154,784)**	4,120,197	–
Finance income (Note 23)	**(41,452,768)**	(26,804,566)	(82,144,317)
Provision for (reversal of) allowance for doubtful accounts (Notes 5, 21 and 24)	**–**	443,650,080	(9,552,129)
Provision for (reversal of) impairment losses (Notes 11, 21 and 24)	**–**	(61,549,364)	47,150,717
Operating income before changes in operating assets and liabilities	**8,637,105,582**	12,773,234,450	9,718,886,803
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**92,816,713**	(894,499,145)	(1,153,130,701)
Inventories	**1,853,389,992**	1,147,739,715	(871,624,332)
Other current assets	**(862,837,500)**	604,555,167	(706,604,467)
Increase (decrease) in trade and other payables	**2,481,608,982**	(635,524,320)	345,413,475
Cash generated from operations	**12,202,083,769**	12,995,505,867	7,332,940,778
Contributions to the fund (Note 19)	**(10,749,863)**	(6,857,636)	(1,929,088)
Interest received	**41,822,817**	26,801,810	76,576,301
Interest paid	**(299,397,199)**	(355,711,778)	(468,137,685)
Income taxes paid	**(8,116,083)**	(5,074,275)	(5,248,207)
Net cash provided by operating activities	**11,925,643,441**	12,654,663,988	6,934,202,099
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (including borrowing cost) (Notes 8 and 31)	**(9,418,691,745)**	(8,897,742,645)	(5,369,645,794)
Exploration and evaluation asset (Notes 8 and 10)	**(1,317,485,410)**	(298,731,356)	–
Investment in sinking fund (Note 9)	**(4,177,649)**	(10,812,036)	(17,252,032)
Computer software (Note 11)	**(3,318,631)**	(4,936,722)	(1,052,066)
Decrease (increase) in other noncurrent assets (Note 11)	**32,997,722**	(332,430,801)	(1,033,157,655)
Proceeds from sale of equipment (Note 8)	**336,750**	135,073	127,491,109
Increase in other noncurrent liabilities (Note 11)	**39,075,247**	665,407,994	57,938,954
Acquisition of a subsidiary-net of cash acquired (Note 2)	**–**	1,250,000	–
Net cash used in investing activities	**(10,671,263,716)**	(8,877,860,493)	(6,235,677,484)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans	**₱10,357,708,086**	₱15,522,112,961	₱4,466,523,614
Payments of:			
Dividends (Note 17)	**(4,275,000,000)**	(4,275,000,000)	(4,275,000,000)
Loans	**(8,470,867,131)**	(10,748,643,259)	(5,297,823,378)
Net cash provided by (used in) financing activities	**(2,388,159,045)**	498,469,702	(5,106,299,764)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(2,402,401)**	9,643,294	(63,074,352)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,136,181,721)**	4,284,916,491	(4,470,849,501)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**4,819,307,265**	534,390,774	5,005,240,275
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱3,683,125,544**	₱4,819,307,265	₱534,390,774

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 a majority-owned (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, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 were endorsed for approval by the Audit Committee on February 25, 2015 and were authorized for issue by the Executive Committee of the Board of Directors (BOD) on March 6, 2015.

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 Group'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, 2014 and 2013, and for each of the three years in the period ended December 31, 2014.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intercompany transactions that are recognized in assets are eliminated in full.

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. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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):

	Effective Percentages of Ownership		
	2014	2013	2012
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	–
St. Raphael Power Generation Corporation (SRPGC)	**100.00**	100.00	–
SEM-Balayan Power Generation Corporation (SBPGC)	**100.00**	100.00	–
Sem-Calaca RES Corporation (SCRC)*	**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, 2014.

SCPC

On July 8, 2009, DMCI-HI was declared as winning bidder for the sale of the 2 x 300 megawatt (MW) Batangas Coal-Fired Power Plant (the Power Plant) located in San Rafael, Calaca, Batangas by the Power Sector Assets and Liabilities Management Corporation (PSALM) on an "as is where is basis". The agreed Purchase Price amounted to $368.87 million.

On December 1, 2009, the Parent Company was authorized by the Board of Directors (BOD) to advance the amount of ₱7.16 billion to SCPC for the latter to purchase the Power Plant from PSALM and meet its financial obligation under APA and Land Lease Agreement (LLA).

On December 2, 2009, DMCI-HI assigned all of its rights and obligations under the APA and LLA to SCPC and PSALM consented to this assignment. Closing of the APA was also on December 2, 2009, upon which control, possession, risk of loss or damage and obligation to operate the Power Plant and rights to its revenues was turned over to SCPC and legal title will transfer only upon full payment of the agreed Purchase Price.

On March 7, 2011, the advances mentioned above were converted by the Parent Company into SCPC's common shares of 7,998.75 million.

SLPGC

On August 31, 2011, SLPGC was incorporated to acquire, design, develop, construct, expand, invest in, and operate electric power plants, and engage in business of a Generation Company in accordance with RA No. 9136, otherwise known as Electric Power Industry Reform Act of 2001 (EPIRA); to invest in, operate and engage in missionary electrification as a Qualified Third Party under EPIRA and its implementing rules and regulations; and to design, develop, assemble and operate other power related facilities, appliances and devices.

SIPDI
On April 24, 2011, SIPDI was incorporated to acquire, develop, construct, invest in, operate and maintain an economic zone capable of providing infrastructures and other support facilities for export manufacturing enterprises, information technology enterprises, tourism economic zone enterprises, medical tourism economic zone enterprises, retirement economic zone enterprises and/or agro-industrial enterprises, inclusive of the required facilities and utilities, such as light and power system, water supply and distribution system, sewerage and drainage system, pollution control devices, communication facilities, paved road network, and administration building as well as amenities required by professionals and workers involved in such enterprises, in accordance with R.A. No. 7916, as amended by R.A. No. 8748, otherwise known as the Special Economic Zone Act of 1995.

SCI
On November 29, 2012, SCI was incorporated to engage in, conduct, and carry on the business of manufacturing, buying, selling, distributing, marketing at wholesale and retail insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description including pottery earthenware, stoneware, bricks, tiles, roofs and other merchandise produce from clay; to enter into all contracts for export, import, purchase requisition, sale at wholesale or retail and other disposition for its own account as principal or in representative capacity as manufacturer's representative, merchandise broker, indentor, commission merchant, factors or agents, upon consignment of all goods, wares, merchandise or products natural or artificial.

SEUI
On February 18, 2013, SEUI was incorporated to perform Qualified Third Party (QTP) functions pursuant to Section 59 of Republic Act 9136, otherwise known as the "Electric Power Industry Reform Act of 2001 ("EPIRA") and its Implementing Rules & Regulations". DOE-Circular No. 2004-06-006 of the Department of Energy defines QTP as an alternative service provider authorized to serve remote and unviable areas pursuant to Section 59 of the EPIRA Law. The new company intends to act as the QTP over Barangays of Semirara, Tinogboc and Alegria, all located at Semirara Island, Caluya, Antique.

SRPGC
On September 10, 2013, SRPGC was incorporated to acquire, construct, erect, assemble, rehabilitate, expand, commission, operate and maintain power-generating plants and related facilities for the generation of electricity, including facilities to purchase, manufacture, develop or process fuel for the generation of such electricity; to sell electricity to any person or entity through electricity markets, by trading, or by contract; to administer, conserve and manage the electricity generated by power-generating plants, owned by SRPGC or by a third party, to invest in or acquire corporations or entities engaged in any of the foregoing activities.

SBPGC
On September 9, 2013, SBPGC was incorporated to acquire, construct, erect, assemble, rehabilitate, expand, commission, operate and maintain power-generating plants and related facilities for the generation of electricity, including facilities to purchase, manufacture, develop or process fuel for the generation of such electricity, to sell electricity to any person or entity through electricity markets, by trading, or by contract, to administer, conserve and manage the electricity

generated by power-generating plants, owned by SBPGC or by a third party, to invest in or acquire corporations or entities engaged in any of the foregoing activities.

SCRC
SCRC is a stock corporation registered with SEC on September 14, 2009, primarily to sell electricity to any person or entity through electricity markets, by trading, or by contract, to administer, conserve and manage the electricity generated by power-generating plants, owned by its affiliates or by a third party, to invest in or acquire corporations or entities engaged in any of the foregoing activities.

Prior to 2013, DMCI-HI owns 100% of common shares of SCRC. However, on March 15, 2013, DMCI-HI assigned all of its 1.25 million shares in SCRC to SCPC at ₱1.00 par value or in the total amount of ₱1.25 million, making it as a wholly owned subsidiary of SCPC.

On September 25, 2013, SCPC infused additional 6.75 million shares totaling ₱8.00 million.

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 PAS 39 either in profit or loss or as a change to other comprehensive income. 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 noncontrolling 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 following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) which became effective on January 1, 2014. Except as otherwise indicated, the adoption of these new accounting standards and amendments have no material impact on the Group's financial statements.

The nature and the impact of each new standard and amendment are described below:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief.

  These amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no impact on the Group.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact to the Group.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

  The application of these amendments has no material impact on the disclosure in the Group's financial statements.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.

  The adoption of this interpretation did not impact the Group because it has been applying the same principle contained in this interpretation in current and past transactions.

- Annual Improvements to PFRSs (2010-2012 cycle)
  In the 2010 – 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement.* The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Group.

- Annual Improvements to PFRSs (2011-2013 cycle)
  In the 2011 – 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards–First-time Adoption of PFRS.* The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Group as it is not a first time PFRS adopter.

New standards and interpretations issued but not yet effective
The Group will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

- PFRS 9, *Financial Instruments* – Classification and Measurement (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement.* PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are

subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

In compliance with SEC Memorandum Circular No. 3, Series of 2012, the Group has conducted study on the impact of an early adoption of PFRS 9. After careful consideration of the results on the impact of evaluation, the Group has decided not to early adopt PFRS 9 for its 2014 annual financial reporting.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by the BOA:

<u>Effective January 1, 2015</u>

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since the Group has no defined benefit plans with contributions from employees or third parties.

- Annual Improvements to PFRSs (2010-2012 cycle)
  The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

- PFRS 2, *Share-based Payment – Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures – Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- Annual Improvements to PFRSs (2011-2013 cycle)
  The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement – Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (*or PFRS 9, as applicable*).

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial

statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits – regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, *Financial Instruments* – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the

risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 is not expected to have any significant impact on the Group's financial statements.

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 is not expected to have any significant impact on the Group's financial statements.

The following new standard issued by the IASB has not yet been adopted by FRSC

- IFRS 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

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, 2014 and 2013, 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 only offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
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 component of total minesite 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.

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below. 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, mine properties, 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.

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 certain transactions 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, 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.

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 unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. 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.

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.

<u>Intangible Assets</u>
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 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 it is either:

- 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 either:

- 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. 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).

Other income
Other income is recognized when earned.

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.

Other Comprehensive Income (Loss)

This pertains to items of income and expense that are not recognized in the profit or loss for the year in accordance with PFRS.

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 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.

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 liabilities are recognized for all taxable temporary differences with certain exception. 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.

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 Transactions and Translation
The Group's financial statements are presented in Philippine peso, which is also the 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
Basic earnings per share (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 33 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 Group, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be the Philippine Peso. It is the currency of the economic environment in which the Group primarily operates.

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 financial position. It is possible, however, that future results of operations 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 bonuses. These price adjustments depend on the estimated quality of the delivered coal. These estimates are based on final coal quality analysis on delivered coal.

There is no assurance that the use of estimates may not result in material adjustments in future periods.

The amounts of revenue from coal sales are disclosed in Note 32.

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 ₱443.65 million in 2013. There were no additional provisions in 2014 as management has assessed that the existing level is adequate for risk of non-collection.

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 it abandons depleted mine pits and under Section 8 of the Land Lease Agreement upon its termination or cancellation. The Group also provides for decommissioning cost for the future clean up of its power plant. 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 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 2014 and 2013, 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:

	2014	2013
Cash on hand and in banks	**₱1,523,452,817**	₱3,302,824,538
Cash equivalents	**2,159,672,727**	1,516,482,727
	₱3,683,125,544	₱4,819,307,265

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 1.00% to 2.75% and 1.00% to 4.63% in 2014 and 2013, respectively.

In 2014, 2013 and 2012, total interest income earned from cash and cash equivalents amounted to ₱34.33 million, ₱13.77 million and ₱63.70 million, respectively (see Note 23).

5. Receivables

This account consists of:

	2014	2013
Trade receivables - outside parties	**₱4,272,936,012**	₱4,393,716,197
Trade receivables - related parties (Note 18)	**67,121,866**	75,553,612
Others	**290,652,639**	65,371,369
	4,630,710,517	4,534,641,178
Less allowance for doubtful accounts	**502,989,241**	502,989,241
	₱4,127,721,276	₱4,031,651,937

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 and other customers for the sale of contracted energy and spot sales transactions. 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 - 45 days' credit terms.
- Export sales - coal sold to international market which is priced in US Dollar.
- Local sales - coal sold to domestic market which is 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 and are collectible over a period of one year.

Movements in the allowance for doubtful accounts are as follows:

	2014		
	Trade receivables - outside parties	**Other Receivables**	**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**

	2013		
	Trade receivables - outside parties	Other Receivables	Total
At January 1	₱53,523,802	₱5,815,359	₱59,339,161
Provision (Note 21)	443,650,080	–	443,650,080
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:

	2014	2013
Spare parts and supplies at NRV	**₱2,240,860,599**	₱2,691,508,783
Coal pile inventory at cost	**551,470,514**	1,938,051,785
	₱2,792,331,113	₱4,629,560,568

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 ₱10.23 billion, ₱8.66 billion and ₱9.83 billion for each of the three years ended December 31, 2014, 2013 and 2012, respectively (see Note 20).

Coal pile inventory at cost included capitalized depreciation of ₱4.03 million and ₱121.83 million in 2014 and 2013, respectively (see Note 8).

The rollforward analysis for inventory obsolescence follows:

	2014	2013
Beginning balance	**₱57,407,122**	₱53,286,925
Provision for the year	**–**	4,120,197
Reversal during the year	**(12,154,784)**	–
Ending balance	**₱45,252,338**	₱57,407,122

Provision for inventory obsolescence is recorded under "Materials and supplies" of cost of coal sales (see Note 20).

7. Other Current Assets

This account consists of:

	2014	2013
Advances to suppliers	**₱836,286,751**	₱743,277,544
Input value-added tax (VAT)	**762,482,193**	–
Creditable withholding tax	**514,561,071**	505,361,225
Prepaid insurance	**16,326,140**	–
Prepaid rent (Notes 11 and 28)	**4,544,839**	4,544,839
Others	**35,248,883**	66,502,130
	₱2,169,449,877	₱1,319,685,738

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.

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.

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 follow:

	2014					
	Land	Mining, Tools and Other Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	Total
At Cost						
At January 1	₱376,811,469	₱15,937,232,282	₱19,998,004,172	₱827,359,725	₱10,810,033,880	₱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 (Note 21)	–	(102,475,004)	–	–	–	(102,475,004)
Adjustment (Note 15)	–	(18,509,876)	–	–	–	(18,509,876)
At December 31	376,811,469	16,926,671,204	21,490,788,298	827,359,725	17,625,517,697	57,247,148,393
Accumulated Depreciation						
At January 1	₱–	₱14,254,278,801	₱6,109,300,941	₱299,705,962	₱–	₱20,663,285,704
Depreciation (Notes 20 and 21)	–	1,170,809,625	1,008,546,642	54,829,714	–	2,234,185,981
Disposals (Note 21)	–	(102,364,028)	–	–	–	(102,364,028)
At December 31	–	15,322,724,398	7,117,847,583	354,535,676	–	22,795,107,657
Net Book Value	₱376,811,469	₱1,603,946,806	₱14,372,940,715	₱472,824,049	₱17,625,517,697	₱34,452,040,736

	2013					
	Land	Mining, Tools and Other Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	Total
At Cost						
At January 1	₱376,605,100	₱15,029,849,283	₱18,285,364,211	₱365,683,504	₱5,758,633,831	₱39,816,135,929
Additions (Note 15)	206,369	1,240,732,413	166,401,954	–	7,623,590,853	9,030,931,589
Transfers from Construction in Progress	–	–	2,110,514,583	461,676,221	(2,572,190,804)	–
Writedown (Note 21)	–	–	(564,276,576)	–	–	(564,276,576)
Disposals (Note 21)	–	(333,349,414)	–	–	–	(333,349,414)
At December 31	376,811,469	15,937,232,282	19,998,004,172	827,359,725	10,810,033,880	47,949,441,528
Accumulated Depreciation						
At January 1	₱–	₱12,780,776,247	₱4,019,560,994	₱291,043,871	₱–	₱17,091,381,112
Depreciation (Notes 20 and 21)	–	1,800,290,010	2,210,667,602	8,662,091	–	4,019,619,703
Writedown (Note 21)	–	–	(120,927,655)	–	–	(120,927,655)
Disposals (Note 21)	–	(326,787,456)	–	–	–	(326,787,456)
At December 31	–	14,254,278,801	6,109,300,941	299,705,962	–	20,663,285,704
Net Book Value	₱376,811,469	₱1,682,953,481	₱13,888,703,231	₱527,653,763	₱10,810,033,880	₱27,286,155,824

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, 2014 and 2013. In 2013, construction in progress includes capitalized rehabilitation costs for Units 1 and 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 1 of SCPC power plant was completed in January 2013 and the rehabilitation of Unit 2 of SCPC power plant was completed in August 2014. In 2014, construction in progress mostly pertains to SLPGC's on-going construction of thermal power plant.

The capitalized borrowing cost included in the construction in progress account amounted to ₱333.84 million and ₱101.38 million on December 31, 2014 and 2013, respectively. The average capitalization rate is 3.18% and 3.36% in 2014 and 2013 (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 2014, 2013 and 2012, the Group sold various equipment at a gain amounting to ₱0.34 million, ₱0.14 million and ₱127.49 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 ₱0.11 million, ₱449.91 million and ₱341.15 million in 2014, 2013 and 2012, respectively (see Note 21).

The cost of fully depreciated assets that are still in use amounted to ₱11.09 billion and ₱11.30 billion as of December 31, 2014 and 2013, 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 with carrying values of ₱14.88 billion and ₱14.72 billion as of December 31, 2014 and 2013, 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 with carrying values of ₱16.02 billion and ₱9.18 billion as of December 31, 2014 and 2013, respectively.

The construction of SLPGC's coal-fired power plant commenced in the early part of 2012. As of December 31, 2014, the Group expects to complete the power plant in the third quarter of 2015. Total estimated cost of completed project is ₱20.40 billion.

Depreciation and amortization follow:

	2014	2013	2012
Included under:			
Inventories (Note 6)	**₱4,034,790**	₱121,831,125	₱188,777,615
Exploration and evaluation asset (Note 10)	**248,799,589**	49,421,284	–
Cost of coal sales (Note 20):			
Depreciation and amortization	**822,278,521**	1,114,654,804	1,322,458,941
Hauling and shiploading costs	**10,807,640**	65,215,174	120,679,537
Cost of power sales (Note 20):			
Cost of coal			
Depreciation and amortization	**235,668,040**	470,558,388	413,387,676
Hauling and shiploading costs	**1,928,373**	23,554,054	34,267,091
Depreciation	**861,787,310**	1,015,838,969	928,981,130
Operating expenses (Note 21)	**51,655,398**	1,162,179,465	44,910,889
	₱2,236,959,661	₱4,023,253,263	₱3,053,462,879
Depreciation and amortization of:			
Property, plant and equipment	**₱2,234,185,981**	₱4,019,619,703	₱3,049,055,621
Computer software (Note 11)	**2,773,680**	3,633,560	4,407,258
	₱2,236,959,661	₱4,023,253,263	₱3,053,462,879

9. Investment in Sinking Fund

In a special meeting of the BOD of SCPC held on March 9, 2010, the BOD authorized SCPC to establish, maintain, and operate trust and investment management accounts with Banco de Oro Unibank, Inc. (BDO), - Trust and Investment Group. The sinking fund constitutes the Debt

Service Reserve Account (DSRA) per Sec. 3.5, part C of the Omnibus Loan and Security Agreement (OLSA) dated May 20, 2010. The DSRA maintaining balance shall be equivalent to the minimum amount of the sum of one quarterly principal installment and one quarterly interest payment on the loan. This is required to be maintained until last repayment date. The Omnibus Agreement provided that the Security Trustee shall invest and reinvest the monies on deposit in said Collateral Accounts (see Note 13). 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 ₱521.78 million and ₱517.60 million as of December 31, 2014 and 2013, respectively.

Interest from sinking fund amounted to ₱6.67 million, ₱12.17 million and ₱17.21 million in 2014, 2013 and 2012, respectively (see Note 23).

10. Exploration and Evaluation Asset

	2014	2013
At January 1	**₱348,152,638**	₱–
Addition	**1,566,285,000**	348,152,638
At December 31	**₱1,914,437,638**	₱348,152,638

These costs are related to exploratory drilling and activities in 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 Competent Person report dated December 29, 2014 showed mineable reserve of 71.00 million metric tons with recoverable coal reserve of 64.00 million metric tons, after superimposing an optimum pit over the existing coal resources delineated at Bobog by extensive drilling.

11. Other Noncurrent Assets and Other Noncurrent Liabilities

Other Noncurrent Assets

	2014	2013
Input VAT	**₱1,173,397,202**	₱974,897,425
Five percent (5%) input VAT withheld - net of allowance for impairment losses of ₱25.98 million	**164,526,094**	164,526,094
Capitalized development costs for clay business	**98,486,533**	37,962,843
Prepaid rent (Note 28)	**89,936,396**	94,450,487
Computer software - net	**4,225,881**	3,680,929
Environmental guarantee fund (Notes 29 and 30)	**1,500,000**	1,500,000
Advances to contractors (Note 18)	**–**	354,321,064
Others	**8,765,946**	8,522,345
	1,540,838,052	1,639,861,187
Less current portion of prepaid rent (Note 7)	**4,544,839**	4,544,839
	₱1,536,293,213	₱1,635,316,348

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.

Advances to contractors
Advances to contractors account represent payments made in advance for the ongoing construction. The advances shall be settled through recoupment against the contractors' billings.

Five percent (5%) input VAT withheld
As a result of the enactment of RA No. 9337 effective November 1, 2005, National Power Corporation (NPC) started withholding the required 5% input VAT on the VAT exempt coal sales.

On March 7, 2007, the Parent Company obtained a ruling from the Bureau of Internal Revenue (BIR) which stated that the sale of coal remains exempt from VAT. In 2007, the Parent Company filed for refund or issuance of Tax Credit Certificates (TCCs) covering a total amount of ₱190.50 million with the BIR representing VAT erroneously withheld by NPC from December 2005 to January 2007. Due to BIR inaction on the claim, the same was eventually elevated to the Court of Tax Appeals (CTA). On October 13, 2009, CTA granted the Parent Company's petition for a refund/issuance of TCCs on erroneously withheld VAT for its December 2005 sales amounting to ₱11.85 million. On August 10, 2010, the CTA issued a Writ of Execution and was served to BIR on August 13, 2010. To date the BIR has yet to comply with the Writ of Execution.

On February 10, 2011, the CTA rendered its decision granting the claim of the Parent Company for a refund or issuance of a TCC for an amount of ₱86.11 million covering VAT erroneously withheld by NPC from January 1, 2006 to June 30, 2006. The BIR filed the corresponding petitions and motion with the CTA but was denied. On November 5, 2012, the BIR went to the Supreme Court (SC) via Petition for Review on Certiorari. Said BIR petition was denied by the SC. Later on June 9, 2013, BIR's Motion for Reconsideration was denied by the SC and on October 10, 2013 an Entry of Judgment was issued. The Writ of Execution was later issued by the CTA on February 18, 2014. To date, writ has yet to be served to the BIR as all the requirements to complete service are still being complied.

On March 28, 2011 the CTA rendered its decision granting the Parent Company's claim for refund or issuance of TCCs in the amount of ₱77.25 million. BIR's petitions and motion for reconsideration with the CTA En Banc were all denied in a Resolution dated May 29, 2012. Later the BIR elevated the case to the SC. To date the case remains pending with the SC.

On January 4, 2011, the CTA rendered its decision in favor of the Parent Company for refund/TCC in the amount of ₱15.3 million. The BIR elevated the case to the SC where the case remains pending.

In 2012, management has estimated that the refund will be recovered after ten (10) to fifteen (15) years. Consequently, the claim for tax refund was provided with provision for impairment losses amounting to ₱47.15 million (see Note 21).

Because of the above developments in 2013, management reassessed the timeline of collection to be in 5 years (instead of 15 years). A re-estimation of the realizable value was made by the management using discounted cash flows with the assumption of collection in 5 years and discount rate of 2.91%. This resulted to a reversal of ₱61.55 million provision for impairment losses reflected as "Other income" in the consolidated statements of comprehensive income in 2013 (see Note 24).

In 2014, management assessed that the timeline of collection is still 5 years.

Movements in allowance for impairment losses of the 5% input VAT withheld:

	2014	2013
At January 1	**₱25,975,688**	₱87,525,052
Reversal (Note 24)	**–**	(61,549,364)
At December 31	**₱25,975,688**	₱25,975,688

Capitalized development costs
SCI has capitalized development expenditures amounting to ₱98.47 million. 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 ₱85.39 million and ₱89.91 million in 2014 and 2013, respectively (see Note 28).

Computer software
Movements in computer software account follow:

	2014	2013
At Cost		
At January 1	**₱29,784,459**	₱24,847,737
Additions	**3,318,632**	4,936,722
At December 31	**33,103,091**	29,784,459
Accumulated Amortization		
At January 1	**26,103,530**	22,469,970
Amortization (Note 8)	**2,773,680**	3,633,560
At December 31	**28,877,210**	26,103,530
Net Book Value	**₱4,225,881**	₱3,680,929

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, 2014 and 2013, retention payable amounted to ₱743.91 million and ₱723.35 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 1.13% to 2.50% and 1.17% to 3.00% in 2014 and 2013, respectively, and are payable within one year.

The carrying amount of these short-term loans as of December 31, 2014 and 2013 amounted to ₱1.22 billion and ₱1.66 billion, respectively.

The interest expense on these short-term loans recognized under "Finance Cost" amounted to ₱63.34 million, ₱58.04 million and ₱34.54 million in 2014, 2013 and 2012, respectively (see Note 22).

13. Long-term Debt

This account consists of long-term debt availed by the Group as follows:

	2014	2013
Mortgage payable	**₱14,268,877,410**	₱11,017,948,783
Bank loans	**3,933,732,375**	4,790,697,568
	18,202,609,785	15,808,646,351
Less current portion of:		
Mortgage payable	**1,903,701,350**	1,519,639,144
Bank loans	**210,184,000**	631,518,875
	2,113,885,350	2,151,158,019
	₱16,088,724,435	₱13,657,488,332

Mortgage Payable

SLPGC

On February 4, 2012, SLPGC entered into an ₱11.50 billion Omnibus Agreement with Banco de Oro, Unibank (BDO), 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 2 x 150 MW coal-fired thermal power plant.

Breakdown of the 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 first drawdown was made on May 24, 2012 amounting to ₱550.00 million. While in April and November of 2013, second and third drawdowns were made which amounted to ₱2.89 billion and ₱2.26 billion, respectively. In 2014, drawdowns amounted to ₱4.79 billion. Total drawn amounted to ₱10.49 billion and ₱5.70 billion as of December 31, 2014 and 2013, respectively. The amount of undrawn borrowing facilities that may be available in the future amounts to ₱1.01 billion as of December 31, 2014.

As of December 31, 2014 and 2013, amortization of debt issuance cost recognized as part of "Property, plant and equipment" account in the consolidated statements of financial position amounted to ₱7.31 million and ₱2.33 million, respectively.

Rollforward of debt issuance cost follows:

	2014	2013
At January 1	**₱25,936,242**	₱2,505,839
Additions	**23,935,952**	25,757,187
Amortization	**(7,313,892)**	(2,326,784)
At December 31	**₱42,558,302**	₱25,936,242

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, 2014 and 2013.

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, 2014 and 2013, SLPGC has paid commitment fee amounting to ₱4.85 million and ₱6.99 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 syndicated loan is as follows:

BDO Unibank	₱6,000,000,000
BPI	2,000,000,000
PNB	1,600,000,000
	₱9,600,000,000

The Agreement was entered into to finance the payments made to PSALM pursuant to the APA and 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 11:30 a.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.

b. Repayment: The principal amount shall be payable in twenty-five equal consecutive quarterly installments commencing on the twelfth month from the initial borrowing date. Final repayment date is seven (7) years after initial borrowing.

Rollforward of the deferred finance cost follows:

	2014	2013
At January 1	**₱33,552,454**	₱55,304,037
Amortization (Note 22)	**(16,360,856)**	(21,751,583)
At December 31	**₱17,191,598**	₱33,552,454

Amortization of debt finance cost recognized under "Finance cost" account in the consolidated statements of comprehensive income amounted to ₱16.36 million, ₱21.75 million and ₱27.12 million for the years 2014, 2013 and 2012, respectively (see Note 22).

As of December 31, 2014, there is no more available borrowing facility that can be drawn.

Local Bank Loans

Parent Company

Loan Type	Dates of Availment	Outstanding Balance 2014	2013	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		(In Millions)					
Loan 1	2013	₱1,462.97	₱341.68	2016	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
Loan 2	Various availments in 2013 and 2014	1,924.28	2,743.31	2016	Floating rate to be repriced every 3 months	Interest payable every 3months, 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	Dates of Availment	Outstanding Balance 2014	2013	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		(In Millions)					
Loan 3	2014	₱474.30	₱1,553.83	2016	Floating rate to be repriced every 3 months	Interest payable every 3months, 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
Loan 4	2014	72.18	151.88	2016	Floating rate to be repriced every 3 months	Interest payable every 3months, 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
		₱3,933.73	₱4,790.70				

Interest expenses on long-term debt recognized under "Finance Cost" amounted to ₱196.77 million, ₱256.78 million and ₱399.59 million in 2014, 2013 and 2012, respectively (see Note 22).

As of December 31, 2014, there is no more available borrowing facility that can be drawn.

The maturities of long-term debt at nominal values as of December 31, 2014 follow:

	2014	2013
Due in:		
2014	**₱–**	₱2,151,158,019
2015	**2,113,885,350**	3,144,722,527
2016	**6,798,902,915**	5,111,266,434
2017	**2,313,518,937**	1,608,187,960
2018	**6,976,302,583**	3,793,311,411
	₱18,202,609,785	₱15,808,646,351

14. Trade and Other Payables

This account consists of:

	2014	2013
Trade:		
Payable to suppliers and contractors	**₱4,579,969,287**	₱3,256,554,439
Related parties (Note 18)	**1,792,921,285**	878,822,345
Payable to DOE and local government units (Note 27)	**1,134,628,349**	877,947,530
Output VAT Payable	**561,565,226**	738,950,745
Accrued expenses and other payables	**736,478,694**	432,381,485
	₱8,805,562,841	₱6,184,656,544

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 ₱907.44 million (US$20.29 million) and ₱968.56 million (US$7.75 million and ¥44.26 million) as of December 31, 2014 and 2013, 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
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:

	2014	2013
Rental (Note 18)	**₱266,511,787**	₱27,933,675
Dredging services	**68,773,000**	–
Taxes, permits and licenses	**66,584,849**	93,592,713
Interest	**61,382,584**	63,514,926
Salaries and wages	**54,155,556**	31,682,830
Spot purchase	**37,153,333**	–
Financial benefit payable	**17,715,823**	43,588,841
Shipping cost	**7,386,515**	89,536,340
Professional fees	**3,444,936**	3,279,972
Others	**153,370,311**	79,252,188
	₱736,478,694	₱432,381,485

Accrued expenses and other payables are noninterest-bearing and are normally settled on a 30-to 60-day terms.

Financial benefit payable
As mandated by the R.A. 9136 or the Electric Power Industry Reform Act (EPIRA) of 2001 and the Energy Regulations No. 1-94, issued by Department of Energy (DOE), the BOD authorized the Group on June 10, 2010 to enter and execute a Memorandum of Agreement with the DOE relative to or in connection with the establishment of Trust Accounts for the financial benefits to the host communities equal to ₱0.01 per kilowatt hour generated.

Others
Others include accruals on contracted services, utilities, supplies and other administrative expenses.

15. Provision for Decommissioning and Site Rehabilitation

	2014	2013
At January 1	**₱196,504,051**	₱62,448,101
Additions (Note 8)	–	133,188,944
Effect of change in estimates (Notes 8 and 31)	**(18,509,876)**	–
Actual usage	**(10,388,161)**	–
Accretion of interest (Notes 22 and 31)	**7,689,928**	867,006
At December 31	**₱175,295,942**	₱196,504,051

Discount rates used by the Group to compute for the present value of liability for decommissioning and site rehabilitation cost range from 3.86% to 4.63% and 3.63% to 4.63% in 2014 and 2013, respectively.

Additions and deductions pertain to the effects of changes in estimates as to the extent and costs of rehabilitation activities, cost increases and changes in discount rates based on relative prevailing market rates.

16. Capital Stock

The details of the Parent Company's capital stock as of December 31, 2014 and 2013 are as follows:

	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**
Balance at end of year	**1,068,750,000**	**1,068,750,000**

	2013	
	Shares	Amount
Capital stock - ₱1 par value		
Authorized	1,000,000,000	₱1,000,000,000
Issued and outstanding		
Balance at beginning and end of year	356,250,000	356,250,000

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, 2014, the Parent Company has 1,068.75 million common shares issued and outstanding which are owned by 668 shareholders.

Capital Stock
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

17. Retained Earnings

Retained earnings amounting to ₱14.98 billion and ₱13.10 billion as of December 31, 2014 and 2013, 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, 2014 amounted to ₱8.22 billion.

Cash Dividends
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.

On April 30, 2012, 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 29, 2012. The said cash dividends were paid on June 25, 2012.

Stock Dividends
On May 5, 2014, the stockholders of the Parent Company approved the 200% stock dividends amounting to ₱712,500,000, divided into 712,500,000 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, Securities and Exchange Commission approved and fixed the record date on September 8, 2014.

Appropriations
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 subsidiary of the Parent Company).

The project is expected to be completed on the third quarter of 2015. 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.

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:

	2014			
	Amount/ Volume	Receivable (Payable)	Terms	Conditions
Trade receivables (see Note 5)				
Entities under common control				
a.) Transfer of materials and reimbursement of shared expenses	₱53,194,734	₱56,138,357	non-interest bearing, due and demandable	Unsecured, no impairment
b.) Reimbursements of shared expenses	9,153,202	9,153,202	non-interest bearing, due and demandable	Unsecured, no impairment
c.) Reimbursements of expenses	1,527,501	1,542,501	non-interest bearing, due and demandable	Unsecured, no impairment
d.) Coal handling services	2,315,635	287,806	non-interest bearing, due and demandable	Unsecured, no impairment
	₱66,191,072	₱67,121,866		
Advances to contractors - noncurrent (see Note 11)				
Entities under common control				
e.) Construction and outside services	₱–	₱190,726,903	non-interest bearing, recoupment	Unsecured, no impairment
Trade payables (see Note 14)				
Entities under common control				
a.) Operation and maintenance fees	₱324,000,000	(₱39,264,558)	30 days, non-interest bearing	Unsecured
d.) Coal handling services	71,474,732	(10,262,460)	30 days, non-interest bearing	Unsecured

(Forward)

	2014			
	Amount/ Volume	**Receivable (Payable)**	**Terms**	**Conditions**
d.) Mine exploration and hauling services	**₱157,477,279**	**(₱154,705,292)**	**30 days, non-interest bearing**	**Unsecured**
e.) Construction and other outside services	**602,033,230**	**(1,572,951,441)**	**30 days, non-interest bearing**	**Unsecured**
f.) Purchases of office supplies and refreshments	**3,492,708**	**(1,022,930)**	**30 days, non-interest bearing**	**Unsecured**
g.) Office, parking and warehouse rental expenses	**5,484,428**	**(1,992,807)**	**30 days, non-interest bearing**	**Unsecured**
h.) Aviation services	**7,037,467**	**(12,721,797)**	**30 days, non-interest bearing**	**Unsecured**
	₱1,170,999,844	**(₱1,792,921,285)**		
Accrued expenses and other payables (see Note 14)				
Entities under common control				
i.) Rental of equipment	**₱266,511,787**	**₱266,511,787**	**non-interest bearing**	**Unsecured**
Other noncurrent liabilities (see Note 11)				
Entities under common control				
d.) Retention payable	**₱117,113,822**	**(₱330,345,677)**	**non-interest bearing**	**Unsecured**

	2013			
	Amount/ Volume	Receivable (Payable)	Terms	Conditions
Trade receivables (see Note 5)				
Entities under common control				
a.) Transfer of materials and reimbursement of shared expenses	₱2,218,766	₱66,138,357	non-interest bearing, due and demandable	Unsecured, no impairment
b.) Reimbursements of shared expenses	30,000	8,717,043	non-interest bearing, due and demandable	Unsecured, no impairment
c.) Reimbursements of expenses	698,212	698,212	non-interest bearing, due and demandable	Unsecured, no impairment
	₱2,946,978	₱75,553,612		
Advances to contractors - noncurrent (see Note 11)				
Entities under common control				
e.) Construction and outside services	₱485,323,247	₱354,321,064	non-interest bearing, recoupment	Unsecured, no impairment
Trade payables (see Note 14)				
Entities under common control				
d.) Mine exploration and hauling services	₱554,092,099	(₱20,138,858)	30 days, non-interest bearing	Unsecured
e.) Construction and other outside services	4,081,677,695	(852,473,055)	30 days, non-interest bearing	Unsecured
f.) Purchases of office supplies and refreshments	5,659,359	(2,726,026)	30 days, non-interest bearing	Unsecured
g.) Office, parking and warehouse rental expenses	7,380,000	(1,944,397)	30 days, non-interest bearing	Unsecured
h.) Aviation services	6,890,000	(1,540,009)	30 days, non-interest bearing	Unsecured
	₱4,655,699,153	(₱878,822,345)		
Other noncurrent liabilities (see Note 11)				
Entities under common control				
d.) Retention payable	₱2,979,130,602	(₱487,676,475)	non-interest bearing	Unsecured

a. Due from DMCI Power Corporation (DMCI-PC) pertains to materials issuances, contracted services and various services provided by the Parent Company. All outstanding balances from DMCI-PC are included in receivables under "Trade receivable - related parties" in the consolidated statements of financial position.

SCPC engaged DMCI-PC 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.

b. 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. All outstanding balance from DMCI-MC is included in receivables under "Trade receivable - related parties" in the consolidated statements of financial position.

c. 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. The outstanding balance from DMCI-MPC is included in receivables under "Trade receivable - related parties" in the consolidated statements of financial position.

d. DMC-Construction Equipment Resources, Inc. (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.

e. Dacon Corporation, a shareholder of DMCI-HI, provided maintenance of the Parent Company's accounting system, Navision, to which related expenses are included in operating expenses under "Office expenses" in the consolidated statements of comprehensive income (see Note 21).

   All outstanding balances to Dacon Corporation are included in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position.

   D.M. Consunji, Inc. (DMCI) had transactions with the Parent Company representing rentals of office, building and equipments and other transactions such as transfer of equipment, hauling and retrofitting services. The related expenses are included in cost of sales under "Outside services" in the consolidated statements of comprehensive income (see Note 20).

The Parent Company engaged the services of DMCI for the construction of its 1 x 15 MW Power Plant located at Semirara Island, to which the related cost are capitalized as part of property, plant and equipment in the consolidated statements of financial position. The Parent Company also engaged the service of DMCI for the construction of various projects in compliance with its Corporate Social Responsibility (CSR) such as the mine rehabilitation, construction of covered tennis courts, track and field, perimeter fence and others to which related expenses are included in cost of sales "Outside services" in the consolidated statements of comprehensive income (see Note 20). All outstanding balances to DMCI are lodged in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position.

SCPC engaged DMCI in the ongoing rehabilitation of the power plant. Cost of construction services provided by DMCI is capitalized as part of property, plant and equipment "Equipment in transit and construction in progress" account and outstanding balance are included in the "Trade payable - related parties" account.

SCPC also engaged DMCI for transfer of equipment and hauling services. The said rentals are included in the operating expenses of the consolidated statements of comprehensive income.

SLPGC engaged DMCI in the construction of the 2 x 150 MW coal-fired power plant.

Advance payments for construction and retention payable are recorded under "Advances to contractors" and "Other noncurrent liabilities", respectively. Outstanding balances to DMCI are included under "Trade payable - related parties" account.

f. Prominent Fruits, Inc. supplies various office supplies and refreshments to the Parent Company. The outstanding balance to Prominent Fruits, Inc. is lodged in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position.

   M&S Company, Inc. (M&S) supplies various office supplies and materials to the Parent Company. Outstanding balance is included in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position.

g. Asia Industries Inc. had transactions with the Parent Company for the rental of parking space to which related expenses are included in operating expenses under "Office expenses" in the consolidated statements of comprehensive income (see Note 21). The outstanding balance to Asia Industries, Inc. is lodged in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position.

   DMC Urban Property Developers, Inc. (DMC-UPDI) had transactions with the Parent Company 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.

h. 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.

i. In 2014, the Parent Company has leased land, certain equipment and office space from DMCI and DMCI-CERI. The 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, 2014 and 2013, there were no impairment losses recognized on related party balances.

Compensation of key management personnel of the Group by benefit type follows:

	2014	2013
Short-term employee benefits	**₱129,866,061**	₱127,093,393
Post-employment benefits	**4,016,476**	4,018,829
	₱133,882,537	₱131,112,222

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, 2014.

The Group accrues retirement costs (included in "Pension Liabilities" in the Group's 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 Board of Directors of the plan. The Board of Directors 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 Board of Directors, 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:

	2014	2013	2012
Discount rate	**4.82% - 5.67%**	4.26% - 5.07%	4.69%
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:

	2014	2013	2012
Current service cost	**₱15,635,036**	₱18,225,767	₱7,778,179
Interest expense related to the defined benefit liability	**5,197,340**	4,722,795	4,371,758
Interest income related to plan assets	**(3,547,507)**	(3,008,719)	(3,863,820)
	₱17,284,869	₱19,939,843	₱8,286,117

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 net asset (liability) recognized on consolidated statements of financial position:

	2014	2013
Defined benefit liability at beginning of year	**₱104,036,133**	₱100,699,245
Current service cost	**15,635,036**	18,225,767
Interest expense	**5,197,340**	4,722,795
Remeasurement of defined benefit liability:		
Arising from changes in financial assumptions	**(3,231,394)**	(1,300,506)
Experience gains (losses)	**11,967,619**	(11,453,532)
Benefits directly paid by the Group	**(10,749,863)**	(6,857,636)
Benefits paid from plan asset	**(4,840,440)**	
Defined benefit liability at end of year	**₱118,014,431**	₱104,036,133

	2014	2013
Fair value of plan assets at beginning of year	**₱72,390,771**	₱64,151,770
Return on plan assets (excluding amounts included in interest income)	**(2,113,300)**	5,230,282
Interest income	**3,547,507**	3,008,719
Benefits paid – paid directly by the Group	**(4,840,440)**	–
Fair value of plan assets at end of year	**₱68,984,538**	₱72,390,771

	2014	2013
Net pension liability at beginning of year	**₱31,645,362**	₱36,547,475
Net periodic pension cost	**17,284,869**	19,939,843
Amounts recognized in other comprehensive income	**10,849,525**	(17,984,320)
Benefit payments	**(10,749,863)**	(6,857,636)
Net pension liability at end of year	**₱49,029,893**	₱31,645,362

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:

	2014	2013
Cash and cash equivalents	**₱779,525**	₱8,067,400
Equity instruments		
Financial institutions	**5,042,770**	–
Debt instruments		
Government securities	**44,860,645**	56,597,922
Not rated debt securities	**11,899,833**	6,664,858
Interest receivable	**6,401,765**	1,060,591
Fair value of plan assets	**₱68,984,538**	₱72,390,771

Trust fee in 2014 and 2013 amounted to ₱34,806 and ₱35,878, respectively.

The composition of the fair value of the Fund includes:

Cash and cash equivalents - include savings and time deposit with affiliated bank 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 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:

	2014		2013	
	Increase (Decrease)	Effect on Defined Benefit Liability	Increase (Decrease)	Effect on Defined Benefit Liability
Discount rates	+0.5% to 1%	(₱3,293,497)	+0.5% to 1%	(₱2,711,720)
	-0.5% to 1%	3,628,306	-0.5% to 1%	3,182,044
Future salary increases	+1%	4,859,667	+1%	3,890,344
	-1%	(4,448,436)	-1%	(3,566,847)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2014	2013
Less than 1 year	₱32,146,458	₱26,914,286
More than 1 year to 5 years	18,774,851	19,898,958
More than 5 years to 10 years	48,207,917	62,951,470
	₱99,129,226	₱109,764,714

The Group has no other transactions with the fund.

20. Cost of Sales

Cost of coal sales consists of:

	2014	2013	2012
Materials and supplies (Note 18)	₱3,897,257,081	₱3,025,232,354	₱3,120,735,226
Fuel and lubricants	2,991,475,911	2,453,660,298	3,043,331,610
Outside services (Note 18)	1,075,701,964	739,853,180	966,478,901
Depreciation and amortization (Notes 8 and 11)	822,278,521	1,114,654,804	1,322,458,941
Direct labor (Note 18)	577,879,037	502,288,609	450,134,214
Hauling and shiploading costs (Note 18)	439,609,474	456,329,361	547,620,380
Production overhead (Note 18)	423,809,451	372,852,892	374,395,481
	₱10,228,011,439	₱8,664,871,498	₱9,825,154,753

Cost of power sales consists of:

	2014	2013	2012
Spot purchases	**₱4,446,000,444**	₱229,196,883	₱130,367,456
Coal	**2,931,385,593**	3,761,855,398	3,304,807,016
Depreciation (Note 8)	**861,787,310**	1,015,838,969	928,981,130
Bunker	**237,267,737**	230,027,758	238,254,696
Diesel	**90,512,855**	79,255,223	115,632,253
Coal handling expense	**68,582,129**	3,868,304	864,921
Market fees	**36,734,148**	54,891,500	24,796,252
Lube	**25,813,990**	42,361,584	25,721,138
Imported coal	**–**	22,785,241	44,523,109
Others	**1,390,896**	5,543,770	4,838,132
	₱8,699,475,102	₱5,445,624,630	₱4,818,786,103

The cost of coal on power sales consists of:

	2014	2013	2012
Materials and supplies (Note 18)	**₱1,116,968,174**	₱1,240,351,874	₱1,089,654,743
Fuel and lubricants	**857,367,968**	1,151,390,027	1,011,501,357
Outside services (Note 18)	**308,300,128**	350,983,612	308,340,694
Depreciation and amortization (Notes 8 and 11)	**235,668,040**	470,558,388	413,387,676
Direct labor (Note 18)	**165,622,252**	165,560,645	145,445,777
Hauling and shiploading costs	**125,993,688**	244,635,094	214,913,039
Production overhead (Note 18)	**121,465,343**	138,375,758	121,563,730
	₱2,931,385,593	₱3,761,855,398	₱3,304,807,016

21. Operating Expenses

	2014	2013	2012
Government share (Note 27)	**₱1,858,189,613**	₱1,304,961,185	₱1,557,950,322
Operation and maintenance (Note 18)	**328,296,434**	379,359,691	437,180,259
Personnel costs (Notes 18 and 19)	**275,249,168**	204,402,527	133,222,394
Taxes and licenses	**198,611,913**	230,472,304	237,515,006
Office expenses (Note 18)	**126,335,538**	104,302,257	75,703,636
Repairs and maintenance	**104,316,433**	648,067,215	148,671,287
Insurance and bonds	**71,826,559**	59,270,251	56,282,680
Depreciation (Note 8)	**51,655,398**	1,162,179,465	44,910,889
Professional fees	**50,152,727**	42,424,740	46,893,228
Entertainment, amusement and recreation	**43,298,078**	23,676,815	35,484,183
Transportation and travel	**28,687,926**	21,248,174	15,885,235
Marketing	**13,918,905**	40,214,509	81,102,894
Loss on disposal and write-down of property, plant and equipment (Note 8)	**110,976**	449,910,879	341,146,346
Provision for doubtful accounts (Note 5)	**–**	443,650,080	59,360,961
Provision for impairment losses (Note 11)	**–**	–	47,150,717
Others	**70,349,709**	150,377,541	79,915,264
	₱3,220,999,377	₱5,264,517,633	₱3,398,375,301

Others pertain to various expenses such as advertising and utilities.

22. Finance Costs

	2014	2013	2012
Interest on:			
Long-term debt (Note 13)	**₱196,770,666**	₱256,780,451	₱399,586,604
Amortization of debt issuance cost (Note 13)	**16,360,856**	21,751,583	27,123,187
Short-term loans (Note 12)	**63,337,130**	58,036,103	34,538,035
Accretion of cost of decommissioning and site rehabilitation (Note 15)	**7,689,928**	867,006	9,599,950
Bank charges	**39,069,744**	43,794,200	30,432,257
	₱323,228,324	₱381,229,343	₱501,280,033

23. Finance Income

	2014	2013	2012
Interest on:			
Cash in banks (Note 4)	**₱5,178,605**	₱7,103,842	₱14,611,540
Cash equivalents and temporary investments (Note 4)	**29,146,795**	6,667,777	49,090,080
Investment in sinking fund (Note 9)	**6,671,014**	12,173,043	17,214,589
Others	**456,354**	859,904	1,228,108
	₱41,452,768	₱26,804,566	₱82,144,317

24. Other Income

	2014	2013	2012
Recoveries from insurance claims	**₱82,552,158**	₱10,632,170	41,545,855
Gain on sale of equipment (Note 8)	**336,750**	135,073	127,491,090
Reversal of allowance for impairment losses (Note 11)	**–**	61,549,364	–
Reversal of allowance for doubtful accounts	**–**	–	9,552,129
Miscellaneous	**122,599,825**	208,892,151	139,859,194
	₱205,488,733	₱281,208,758	₱318,448,268

Recoveries from insurance claims
Recoveries from insurance claims pertain to the amount reimbursable from insurer on insured equipment.

Miscellaneous
Miscellaneous income includes revenue derived from sale of fly ashes, by-product of coal combustion, and from selling excess electricity produced by the Group to the neighboring communities.

25. Income Tax

The provision for (benefit from) income tax consists of:

	2014	2013
Current	**₱–**	₱11,708,917
Final	**8,116,083**	5,074,275
Deferred	**(560,983,213)**	(134,621,496)
	(₱552,867,130)	(₱117,838,304)

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:

	2014	2013
Statutory income tax rate	**30.00%**	30.00%
Adjustments for:		
Nondeductible expense	–	0.07
Nondeductible interest expense	**0.03**	0.03
Movement in unrecognized deferred tax assets	**15.02**	0.90
Interest income already subjected to final tax at a lower rate - net of nondeductible interest expense	**(0.04)**	(0.03)
Tax-exempt income	**(53.77)**	(33.81)
Movement in unrecognized deferred tax liabilities	–	1.25
Effective income tax rate	**(8.76%)**	(1.59%)

The components of net deferred tax assets as of December 31, 2014 and 2013 follow:

	2014	2013
NOLCO	**₱637,765,958**	₱32,525
Unrealized foreign exchange loss	**16,330,527**	91,779,812
Accrual of pension obligation	**15,797,851**	10,582,492
Allowance for inventory obsolescence	**13,575,917**	17,222,136
Allowance for doubtful accounts	**10,667,588**	10,667,588
Allowance for impairment losses	**7,792,467**	7,792,467
Provision for decommissioning and site rehabilitation	**2,265,116**	1,880,332
	₱704,195,424	₱139,957,352

The Parent Company and SLPGC have not recognized deferred tax assets on NOLCO from the following periods:

Parent Company

Year Incurred	Amount	Expiry Year
2014	₱4,878,525,474	2017
2013	3,440,456,777	2016
2012	3,143,525,120	2015
	₱11,462,507,371	

SLPGC

Year Incurred	Amount	Expiry Year
2014	₱20,737,602	2017
2013	48,523,473	2016
2012	23,890,970	2015
	₱93,152,045	

The following entities within the Group recognized deferred tax assets on NOLCO from the following periods:

SCPC

Year Incurred	Amount	Expiry Year
2014	₱2,125,445,185	2017

SEUI

Year Incurred	Amount	Expiry Year
2014	₱131,010	2017
2013	100,500	2016
	₱231,510	

SCI

Year Incurred	Amount	Expiry Year
2014	₱201,915	2017
2012	7,918	2015
	₱209,833	

Board of Investments (BOI) Incentives

Parent Company

On September 26, 2008, 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. 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 metric tons (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 Corporate Social Responsibility (CSR), which shall be submitted before the lapse of its initial four (4) year - ITH.

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, 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 ₱2.69 billion, ₱1.48 billion and ₱1.47 billion in 2014, 2013 and 2012, 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. Pursuant thereto, SCPC shall be entitled to the following incentives, among others:

a. SCPC shall enjoy income tax holiday 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. Other incentives with no specific number of years of entitlement maybe enjoyed for a maximum period of ten (10) years from the start of commercial operation and/or 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 Power Plant.

b. For the first five (5) years from the date of registration, SCPC shall be allowed an additional deduction from taxable income of 50% of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the BOI of $10,000 to one worker and provided that this incentive shall not be availed of simultaneously with the ITH.

c. 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.

d. Importation of consigned equipment for a period of ten (10) years from the date of registration, subject to the posting of re-export bond.

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 to ₱1.22 billion, ₱1.53 billion and ₱0.77 billion in 2014, 2013 and 2012, 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.

26. Basic/Diluted Earnings Per Share

The following table presents information necessary to calculate earnings per share:

	2014	2013 (As restated)	2012 (As restated)
Net income	**₱6,861,294,479**	₱7,519,591,282	₱6,358,640,007
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**	**₱6.42**	₱7.04	₱5.95

* *Retrospectively adjusted for the issuance of stock dividend in 2014.*
** *The effect on earnings per share related to the restatement in 2013 and 2012 was ₱14.07 and ₱11.90, respectively.*

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorization of these 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 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, which grants 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, which grants 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 ₱1.86 billion, ₱1.30 billion and ₱1.56 billion in 2014, 2013 and 2012, respectively, included under "Operating expenses" in the consolidated statements of comprehensive income (see Note 21). The liabilities, amounting to ₱1.13 billion and ₱0.88 billion as of December 31, 2014 and 2013 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

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 only 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 the SCPC's extrajudicial demand until full payment by PSALM.

During the preliminary conference scheduled on November 25, 2010, the ERC 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. 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 computation of the over-nominations and other MERALCO payments withheld by PSALM, as agreed upon by the parties, in the principal amount of ₱476 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 December 18, 2013, PSALM field its Comment to SCPC's Motion for Issuance of Writ of Execution essentially arguing that the Commission on Audit must first verify and confirm, through the proper proceeding, the claim against PSALM before PSALM can remit the Principal Amount pursuant to the ERC's judgment.

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 and order dated July 6, 2011 and February 13, 2012, respectively. 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. PSALM subsequently filed its Reply on August 2, 2013.

In a Resolution dated September 30, 2013, the Supreme Court granted PSALMs 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, 2014.

b. Operating Lease Commitment - as a Lessee

As discussed in Notes 7 and 10, 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 (see Note 7).

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 square in favor of its Parent Company. Said 8.2 hectare lot was later assigned to SLPGC, a subsidiary of the 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.

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 December 31, 2014, PSALM is pending for any response in connection therewith.

On February 5, 2014, DENR has ordered the transfer of Leasehold Rights of the National Power Corporation in favor of SCPC over the subsisting Lease Contract dated July 13, 2011.

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 these operating leases follow:

	2014	2013
Within one year	**₱27,428,345**	₱25,592,039
After one year but not more than five years	**65,727,740**	88,144,709
After five years	**5,011,376**	5,011,376
	₱98,167,461	₱118,748,124

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, *Provision, Contingent Liabilities and Contingent Assets* 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, 2014 and 2013.

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):

	2014	2013
Domestic market	**30.26%**	42.05%
Export market	**69.74**	57.95

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, 2014 and 2013 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 2014 and 2013.

Change in coal price	Effect on income before income tax 2014	2013
Based on ending coal inventory		
Increase by 22% in 2014 and 42% in 2013	**₱316,564,503**	₱1,022,494,329
Decrease by 22% in 2014 and 42% in 2013	**(316,564,503)**	(1,022,494,329)
Based on coal sales volume		
Increase by 22% in 2014 and 42% in 2013	**8,008,029,855**	5,643,685,176
Decrease by 22% in 2014 and 42% in 2013	**(8,008,029,855)**	(5,643,685,176)

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:

	2014						
	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	1.38% to 2.75%	₱3,677,533,204	₱–	₱–	₱–	₱–	₱3,677,533,204
Foreign short-term debt at floating rate							
$31.95 million loans (USD)	Floating rate	₱1,218,753,398	₱–	₱–	₱–	₱–	₱1,218,753,398
Foreign long-term debt at floating rate							
$32.7 million loan (USD)	Floating rate payable quarterly and in arrears, to be repriced every 90 days	210,184,000	1,252,160,000	–	–	–	1,462,344,000
$33.73 million loan (USD)	Floating rate to be repriced every 90 days	–	1,508,529,161	–	–	–	1,508,529,161
$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
$1.6 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
		₱3,332,638,748	₱6,798,902,915	₱2,313,518,937	₱6,976,302,583	₱–	₱19,421,363,183

	2013						
	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	1.00% to 4.63%	₱4,812,937,790	₱–	₱–	₱–	₱–	₱4,812,937,790
Foreign short-term debt at floating rate							
$37.28 million loans (USD)	Floating rate	₱1,655,079,934	₱–	₱–	₱–	₱–	₱1,655,079,934
Foreign long-term debt at floating rate							
$7.70 million loan (USD)	Floating rate payable quarterly and in arrears, to be repriced every 90 days	–	341,682,734	–	–	–	341,682,734
$61.79 million loan (USD)	Floating rate to be repriced every 90 days	529,409,895	716,335,443	1,497,565,889	–	–	2,743,311,227
$35.00 million loan (USD)	Floating rate, aggregate of the margin (1.20%) and LIBOR, to be repriced every 90 to 180 days	102,108,980	208,656,837	1,243,059,908	–	–	1,553,825,725
$3.42 million loan (USD)	Floating rate	–	151,877,882	–	–	–	151,877,882
Mortgage payable at floating rate	PDST-F benchmark yield for three-month treasury securities + 1.00%	(5,029,056)	206,149,624	840,162,397	840,906,861	3,793,311,411	5,675,501,237
	PDST-F benchmark yield for 3-month treasury securities +1.75%	1,519,639,144	1,525,049,063	1,530,478,240	767,281,099	–	5,342,447,546
		₱3,801,208,897	₱3,149,751,583	₱5,111,266,434	₱1,608,187,960	₱3,793,311,411	₱17,463,726,285

The following table demonstrates the sensitivity of the Group's income before tax to a reasonably possible change in interest rates on December 31, 2014 and 2013, with all variables held constant, through the impact on floating rate borrowings.

	Effect on Income Before Tax	
Basis points (in thousands)	**2014**	2013
+100	**(₱194,214)**	(₱158,086)
-100	**194,214**	158,086

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, 2014 and 2013 based on undiscounted contractual payments:

	2014					
	Less than 6 months	6-12months	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	2,567,692,896	1,208,069,234	–	–	–	3,775,762,130
Related parties	67,121,866	–	–	–	–	67,121,866
Others*	271,508,490	–	–	–	–	271,508,490
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						
$32.7 million loan (USD) with interest payable in arrears	105,845,956	105,845,956	1,288,093,236	–	–	1,499,785,148
$33.73 million loan (USD) with interest payable in arrears	–	–	1,558,760,165	–	–	1,558,760,165
$10.61 million loan (USD) with interest payable in arrears	–	–	488,919,419	–	–	488,919,419
$9.31 million loan (USD) with interest payable in arrears	–	–	429,187,938	–	–	429,187,938
$1.6 million loan (USD) with interest payable in arrears	–	–	74,398,103	–	–	74,398,103
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	6,914,713,401	2,412,171,766	7,046,066,216	26,787,606,633
	(₱2,415,939,535)	(₱206,790,025)	(₱6,914,713,401)	(₱1,890,390,893)	(₱7,044,566,216)	(₱18,472,400,070)

**excludes advances for liquidation*
***excludes statutory liabilities*

	2013					
	Less than 6 months	6-12months	1-2 years	2-3 years	More than 3 years	Total
Assets						
Cash in banks and cash equivalents	₱4,812,937,791	₱–	₱–	₱–	₱–	₱4,812,937,791
Receivables:						
Trade receivables - outside parties	3,788,916,339	107,625,976	–	–	–	3,896,542,315
Trade receivables - related parties	75,553,612	–	–	–	–	75,553,612
Others*	43,132,924	–	–	–	–	43,132,924
Environmental guarantee fund	–	–	–	–	1,500,000	1,500,000
Investment in sinking fund	–	–	–	–	517,603,224	517,603,224
	8,720,540,666	107,625,976	–	–	519,103,224	9,347,269,866
Liabilities						
Trade and other payables:						
Trade:						
Payable to suppliers and contractors	3,256,554,439	–	–	–	–	3,256,554,439
Related parties	878,822,345	–	–	–	–	878,822,345
Accrued expenses and other payables**	338,788,772	–	–	–	–	338,788,772
Short-term loans	1,655,079,934	–	–	–	–	1,655,079,934
Long-term debt at floating rate						
$23.08 million loan (USD) with interest payable in arrears	1,756,419	1,756,419	345,195,455	–	–	348,708,293
$5.62 million loan (USD) with interest payable in arrears	17,139,530	546,549,905	743,999,781	1,516,278,852	–	2,823,968,068
$62.29 million loan (USD) with interest payable in arrears	9,322,950	111,431,450	226,077,098	1,257,976,720	–	1,604,808,218
$25.34 million loan (USD) with interest payable in arrears	1,260,873	1,260,873	154,399,338	–	–	156,921,084
PDST-F benchmark yield for 3-month treasury securities + 1.00%	104,473,270	104,473,270	208,946,540	875,004,071	4,851,931,386	6,144,828,537
PDST-F benchmark yield for 3-month treasury securities + 1.75%	779,957,166	780,372,235	1,594,101,156	1,605,963,747	809,335,971	5,569,730,275
	7,043,155,698	1,545,844,152	3,272,719,368	5,255,223,390	5,661,267,357	22,778,209,965
	₱1,677,384,968	(₱1,438,218,176)	(₱3,272,719,368)	(₱5,255,223,390)	(₱5,142,164,133)	(₱13,430,940,099)

**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, 60.04% and 26.66% of the Group's sales in 2014 and 2013, respectively, were denominated in US$ whereas approximately 32.03% and 25.55% of debts as of December 31, 2014 and 2013, 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, 2014		December 31, 2013	
	U.S. Dollar	**Peso Equivalent**	U.S. Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**$24,582,205**	**₱1,099,316,208**	$18,318,751	₱813,260,942
Trade receivables	**15,024,717**	**671,905,344**	10,654,649	473,013,142
Liabilities				
Trade payables	**(20,291,547)**	**(907,437,999)**	(21,816,839)	(968,558,569)
Short-term loans	**(27,252,983)**	**(1,218,753,400)**	(32,367,091)	(1,436,937,001)
Long-term debt (including current portion)	**(87,963,604)**	**(3,933,732,371)**	(107,910,746)	(4,790,697,569)
Net exposure	**($95,901,212)**	**(₱4,288,702,218)**	($133,121,276)	(₱5,909,919,055)

The exchange rates used were ₱44.72 to $1 and ₱44.40 to $1 in 2014 and 2013, 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, 2014 and 2013.

Reasonably possible change in the Philippine peso-US dollar exchange rate	Increase (decrease) in income before tax **2014**	2013
₱2	**(₱191,802,424)**	(₱266,387,702)
(₱2)	**191,802,424**	266,387,702

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 ₱52.14 million and ₱481.18 million in 2014 and 2013, respectively, and net foreign exchange gains amounting to ₱391.00 million in 2012, 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:

	2014	2013
Trade receivables - outside parties	**91.47%**	96.65%
Trade receivables - related parties	**1.63**	1.87
Others	**6.90**	1.48
	100.00%	100.00%

As of December 31, 2014 and 2013, the credit quality per class of financial assets is as follows:

	2014				
	Neither Past Due nor Impaired		**Substandard**	**Past due and/or Individually**	
	Grade A	**Grade B**	**Grade**	**Impaired**	**Total**
Cash in banks and cash equivalents	**₱3,677,533,204**	**₱–**	**₱–**	**₱–**	**₱3,677,533,204**
Receivables:					
Trade receivables - outside parties	**714,026,450**	**–**	**–**	**3,558,909,562**	**4,272,936,012**
Trade receivables - related parties	**67,121,866**	**–**	**–**	**–**	**67,121,866**
Others	**271,508,490**	**–**	**–**	**5,815,359**	**277,323,849**
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**

	2013				
	Neither Past Due nor Impaired		Substandard	Past due and/or Individually	
	Grade A	Grade B	Grade	Impaired	Total
Cash in banks and cash equivalents	₱4,812,937,791	₱–	₱–	₱–	₱4,812,937,791
Receivables:					
Trade receivables - outside parties	2,149,725,650	1,481,867,441	–	762,123,106	4,393,716,197
Trade receivables - related parties	75,553,612	–	–	–	75,553,612
Others	43,132,924	–	–	5,815,359	48,948,283
Environmental guarantee fund	1,500,000	–	–	–	1,500,000
Investment in sinking fund	517,603,224	–	–	–	517,603,224
Total	₱7,600,453,201	₱1,481,867,441	₱–	₱767,938,465	₱9,850,259,107

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, 2014 and 2013, the aging analyses of the Group's past due and/or impaired receivables presented per class are as follows:

	2014			
	Past Due but not Impaired		**Impaired Financial Assets**	**Total**
	<45 days	**45-135 days**		
Receivables				
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**

	2013			
	Past Due but not Impaired		Impaired Financial Assets	Total
	<45 days	45-135 days		
Receivables				
Trade receivables - outside parties	₱205,773,956	₱59,175,268	₱497,173,882	₱762,123,106
Others	–	–	5,815,359	5,815,359
Total	₱205,773,956	₱59,175,268	₱502,989,241	₱767,938,465

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, 2014 and 2013.

	2014	2013
Interest-bearing loans	**₱19,421,363,183**	₱17,463,726,285
Total equity	**22,706,211,516**	20,127,511,704
Debt-to-Equity ratio	**85.53%**	86.77%
EPS (Note 26)	**₱6.42**	₱7.04

The aggressive expansion and investment strategies of the Group resulted to higher Debt-to-Equity ratios in 2014 and 2013. 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, 2014 and 2013:

	2014	2013
Total paid-up capital	**₱7,744,277,411**	₱7,031,777,411
Remeasurement losses on pension plan	**(13,471,337)**	(5,876,670)
Retained earnings - unappropriated	**12,675,405,442**	10,801,610,963
Retained earnings - appropriated	**2,300,000,000**	2,300,000,000
	₱22,706,211,516	₱20,127,511,704

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, 2014 and 2013, interest rate ranges from 1.44% to 1.66% and 1.00% to 3.00%, respectively.

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, 2014 and 2013, 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:

	2014	2013	2012
Depreciation capitalized as exploration and evaluation asset (Note 8)	**₱248,799,589**	₱49,421,284	₱–
Adjustments to provision for decommissioning and site rehabilitation (Note 15)	**10,819,948**	–	5,265,923
Depreciation capitalized as coal inventory (Note 8)	**4,034,790**	121,831,125	188,777,615
Increase in property, plant and equipment and liabilities arising from adjustments relating to decommissioning (Note 8)	**–**	133,188,944	275,903,977
Application of creditable withholding tax to income tax payable	**–**	11,691,929	–
Transfers from inventory to property, plant and equipment (Note 8)	**–**	–	223,519,372

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.

	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	(11,076,717)	(8,424,654)	–	2,419,234	(17,082,137)
Depreciation and amortization	(1,154,687)	(926,330)	–	235,668	(1,845,349)
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	₱1,462,340	₱7,956,352	₱–	₱–	₱9,418,692
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	(10,223,281)	(5,493,868)	–	3,661,219	(12,055,930)
Depreciation and amortization	(1,509,285)	(1,015,839)	–	470,558	(2,054,566)
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)

	2012 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱14,450,155	₱9,700,092	₱–	₱–	₱24,150,247
Inter-segment sales	3,176,475	–	–	(3,176,475)	–
	17,626,630	9,700,092	–	(3,176,475)	24,150,247
Cost of sales	(10,661,535)	(4,624,704)	–	2,825,819	(12,460,420)
Depreciation and amortization	(1,667,928)	(928,981)	–	413,388	(2,183,521)
Gross profit	5,297,167	4,146,407	–	62,732	9,506,306
Operating expenses	(1,977,308)	(1,036,854)	(102)	1,961	(3,012,303)
Depreciation	–	(341,162)	–	–	(341,162)
Operating profit	(23,097)	(21,814)	–	–	(44,911)
Other income	1,687,185	131,264	–	(1,500,000)	318,449
Finance income	13,115	68,948	82	–	82,145
Foreign exchange gain	387,832	3,168	–	–	391,000
Finance costs	(122,607)	(378,673)	–	–	(501,280)
Provision for income tax	(11,451)	(28,156)	3	–	(39,604)
Net income	₱5,250,836	₱2,543,281	(₱17)	(₱1,435,307)	₱6,358,640

(Forward)

	2012 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Segment assets	₱12,196,116	₱24,856,536	₱5,065	(₱873,134)	₱36,184,583
Deferred tax assets	–	10,729	19	–	10,748
	₱12,196,116	₱24,867,265	₱5,084	(₱873,134)	₱36,195,331
Segment liabilities	₱5,043,169	₱2,909,635	₱152	(₱807,230)	₱7,145,726
Long-term debt	4,775,084	7,404,190	–	–	12,179,274
Deferred tax liability	–	–	–	–	–
	₱9,818,253	₱10,313,825	₱152	(₱807,230)	₱19,325,000
Cash flows arising from:					
Operating activities	₱3,422,328	₱3,731,637	₱65	(₱219,828)	₱6,934,202
Investing activities	(2,836,329)	(4,567,013)	–	1,167,665	(6,235,677)
Financing activities	(3,913,919)	(2,151,516)	2,500	956,635	(5,106,300)
Other disclosures					
Capital expenditures	₱2,060,066	₱3,309,580	₱–	₱–	₱5,369,646
Reversal of allowance for doubtful accounts	(9,552)	–	–	–	(9,552)
Provision for impairment losses	47,151	–	–	–	47,151

1. Intersegment revenues, other income, cost and expenses are eliminated in the consolidation.
2. Segment assets exclude deferred tax assets amounting to ₱704.20 million, ₱139.96 million and ₱10.75 million in 2014, 2013 and 2012, 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, 2014, 2013 and 2012 reviewed by the management follows:

	2014	2013	2012
Revenue:			
Local coal sales	**₱4,925,268,912**	₱5,287,388,411	₱7,440,134,295
Export coal sales	**11,351,660,886**	7,286,180,834	7,010,021,039
	₱16,276,929,798	₱12,573,569,245	₱14,450,155,334

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 in December 26, 2011 and shall have a term of seven (7) years, which may be extended 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.

c. 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.

d. 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 Company 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.

e. 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.

Pending PEMC's actions and/or recalculation of the WESM prices for the November and December 2013 supply months in accordance with the ERC Order, and its effect on each generation company that trade in the WESM, the Company estimated its exposure to the said ERC order. Please see judgments and estimates in Note 3.

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
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SGV
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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
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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, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in this Form 17-A, and have issued our report thereon dated March 6, 2015. 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 Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-A (Group A),
May 31, 2012, valid until May 30, 2015
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751335, January 5, 2015, Makati City

March 6, 2015

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 15 2015
EXCISE LT

SEMIRARA MINING AND POWER CORPORATION
SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2014

Unappropriated Retained Earnings, beginning		₱5,436,730,682
Adjustments (PAS 19R – transition adjustment)		3,024,550
Unappropriated retained earnings, as adjusted to available for dividend distribution, as at December 31, 2012		5,439,755,232
Net income actually earned/realized during the period:		
Net income during the period closed to retained earnings	₱7,766,218,489	
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	61,327,012	
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)	59,239,881	
Net income actually earned during the period	7,764,131,358	
Add (Less):		
Dividend declarations during the period	(4,275,000,000)	
Appropriations of retained earnings during the period	(712,500,000)	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	2,776,,631,358
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		**₱8,216,386,590**

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2014 and 2013:

Financial ratios		2014	2013
Current ratio	Current assets / Current liabilities	**1.04:1**	1.48:1
Quick ratio	Current assets less inventories / Current liabilities	**0.81:1**	1.02:1
Solvency ratio	Net income plus depreciation / Total liabilities	**0.30:1**	0.47:1
Debt to equity ratio	Interest-bearing loans / Total equity	**0.86:1**	0.87:1
Asset-to-equity ratio	Total assets / Total equity	**2.29:1**	2.22:1
Inventory turnover	Cost of sales / Average inventory	**5.10:1**	2.74:1
Accounts receivable turnover ratio	Net credit sales / Average accounts receivable	**7.00:1**	7.18:1
Interest rate coverage	EBIT* / Interest expense**	**10.60:1**	16.21:1
Return on assets	Net income / Average total assets	**0.14:1**	0.19:1
Return on equity	Net income / Average total equity	**0.32:1**	0.41:1
Gross Margin ratio	Gross profit / Sales	**0.34:1**	0.48:1
Net profit margin ratio	Net income / Sales	**0.24:1**	0.28:1

* *Earnings before interest and taxes (EBIT)*

** *Includes interest capitalized as part of asset*

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
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 schedule requirements for large entities showing a list of all effective standards and interpretations under Philippine Financial Reporting Standards (PFRS).

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2014:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early 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	✓		
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			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not Applicable
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		✓	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
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	✓		
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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
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	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not Applicable
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			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
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	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not Applicable
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 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-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
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	✓		

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions for the year ended December 31, 2014.

Standards tagged as “Not adopted’ are standards issued but not yet effective as of December 31, 2014. The Group will adopt the Standards and Interpretations when these become effective.

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS
DECEMBER 31, 2014

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

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, 2014

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period

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, 2014

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	₱1,067,924,037	2,630,433,578	(569,626,787)	–	3,128,730,828	–	3,128,730,828
SEM - Cal Industrial Park Developers, Inc.	53,220	36,960	–	–	90,180	–	90,180
Southwest Luzon Power Generation Corporation	1,319,018	5,531,485	–	–	6,850,503	–	6,850,503
SEM-Balayan Power Generation Corporation	167,124	34,713	–	–	201,837	–	201,837
St. Raphael Power Generation Corporation	87,391	1,941,928	–	–	2,029,319	–	2,029,319
Semirara Energy Utilities, Inc.	62,930	147,733	–	–	210,663	–	210,663
Semirara Claystone, Inc.	38,067,653	60,836,651	–	–	98,904,304	–	98,904,304
	₱1,107,681,373	2,698,963,048	(569,626,787)	–	3,237,017,634	–	3,237,017,634

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE D: INTANGIBLE ASSETS

DECEMBER 31, 2014

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Charged to other accounts	Other changes	Ending balance
Software cost	₱3,680,929	₱3,318,632	(₱2,773,680)	₱–	₱–	₱4,225,881
Capitalized development cost	37,962,843	60,523,690	–	–	–	98,486,533
	₱41,643,772	₱63,842,322	(₱2,773,680)	₱–	₱–	₱102,712,414

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE E: LONG TERM DEBT

DECEMBER 31, 2014

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	₱1,525,049,063	₱2,297,759,339
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	378,652,287	10,067,417,321
Bank loans	$32.7 million loan (USD)	Floating rate payable quarterly and in arrears,to be repriced every 90 days	2016	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	210,184,000	1,252,160,000
Bank loans	$33.73 million loan (USD)	Floating rate to be repriced every 90 days	2016	Interest payable every 3months, principal to be paid on maturity date	–	1,508,529,164
Bank loans	$10.61 million loan (USD)	Floating rate, aggregate of the margin (1.20%) and LIBOR, to be repriced every 90 to 180 days	Various maturities in 2012, 2013 and 2015	Interest payable quarterly and in arrears, subject to quarterly setting and principal repayable in bullet at the end of three (3) years from drawdo wn date	–	474,345,624
Bank loans	$9.31 million loan (USD)	Floating rate to be repriced every 90 days	2016	Interest payable every 3months, principal to be paid on maturity date	–	416,331,636
Bank loans	$1.6 million loan (USD)	Floating rate	December 23, 2016	Interest and principal are payable on the date of maturity	–	72,181,351
					₱2,113,885,350	₱16,088,724,435

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2014

Name of related party	Balance at beginning of period	Balance at end of period

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, 2014

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

NOT APPLICABLE

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE H: CAPITAL STOCK

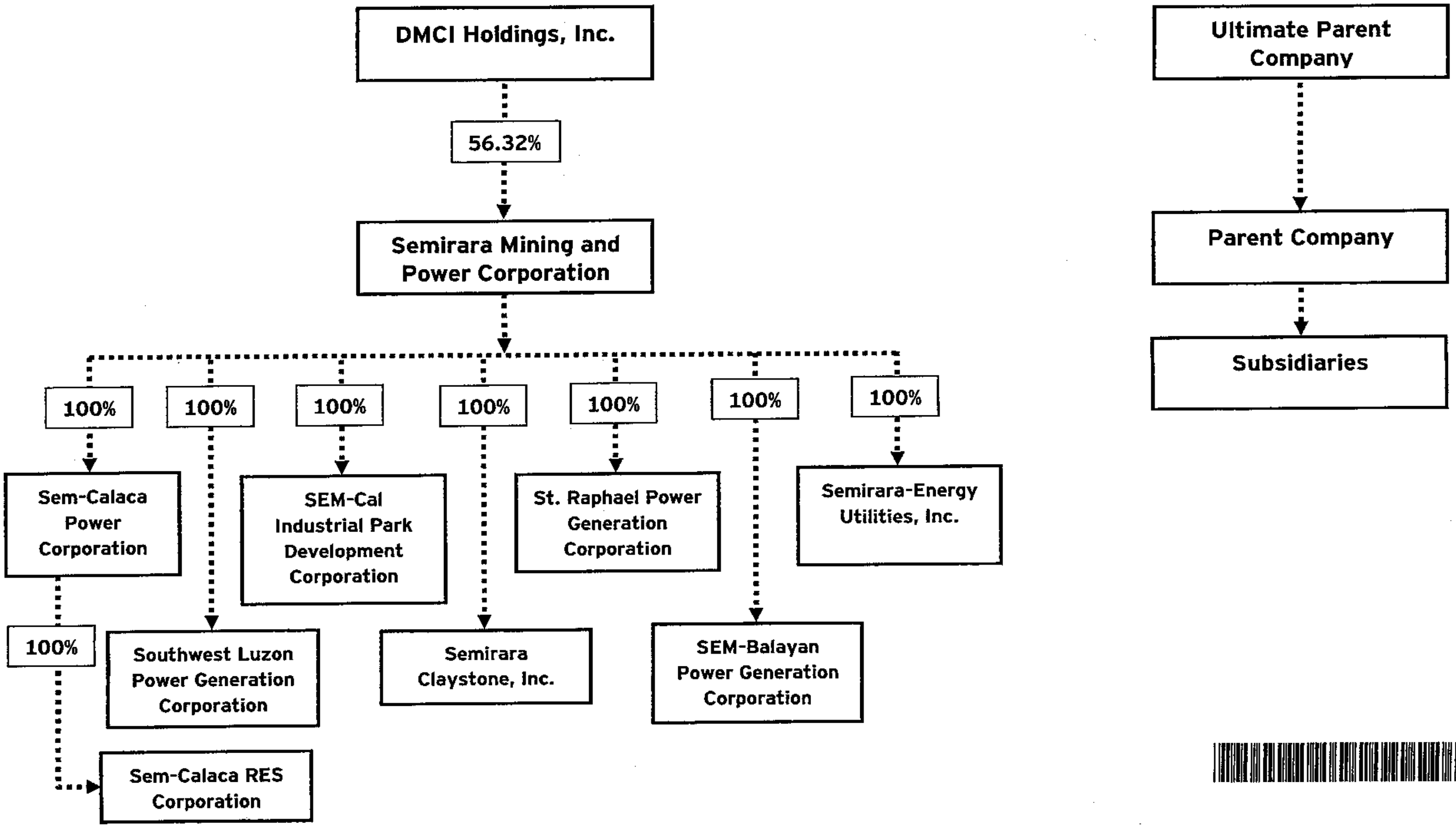
DECEMBER 31, 2014

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	5,789,457	330,192,417

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2014



SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

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

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of Semirara Mining and Power Corporation, which comprise the parent company statements of financial position as at December 31, 2014 and 2013 and the parent company statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of these parent company financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of parent company 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 parent company financial statements based on our audits. We conducted our audit 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 parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company 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 parent company 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 parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Semirara Mining and Power Corporation as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of Semirara Mining and Power Corporation in a separate schedule. Revenue Regulations 15-2010 requires the information to be presented in the notes to the parent company financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule 68, as Amended (2011). Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-A (Group A),
May 31, 2012, valid until May 30, 2015
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751335, January 5, 2015, Makati City

March 6, 2015

SEMIRARA MINING AND POWER CORPORATION
(Formerly Semirara Mining Corporation)
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31 2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 28 and 29)	**₱1,889,221,549**	₱1,709,480,819
Receivables (Notes 5, 28 and 29)	**4,805,437,783**	2,275,591,739
Inventories (Note 6)	**1,423,151,530**	3,603,821,132
Other current assets (Note 7)	**873,515,348**	853,738,563
Total Current Assets	**8,991,326,210**	8,442,632,253
Noncurrent Assets		
Investments in subsidiaries (Note 8)	**15,314,375,000**	13,242,694,852
Property, plant and equipment (Note 9)	**3,557,317,337**	3,394,050,639
Exploration and evaluation asset (Note 10)	**1,914,437,638**	348,152,639
Deferred tax assets (Note 25)	**61,327,013**	135,181,808
Other noncurrent assets (Note 11)	**179,017,917**	178,229,367
Total Noncurrent Assets	**21,026,474,905**	17,298,309,305
	₱30,017,801,115	₱25,740,941,558
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 12, 28 and 29)	**₱6,418,178,625**	₱4,323,726,855
Short-term loans (Notes 13, 28 and 29)	**1,218,753,398**	1,655,079,934
Current portion of long-term debt (Notes 14, 28 and 29)	**210,184,000**	631,518,875
Total Current Liabilities	**7,847,116,023**	6,610,325,664
Noncurrent Liabilities		
Long-term debt-net of current portion (Notes 14, 28 and 29)	**3,723,548,375**	4,159,178,693
Pension liabilities (Note 19)	**39,572,098**	22,103,067
Provision for decommissioning and site rehabilitation (Note 15)	**163,732,958**	185,885,154
Total Noncurrent Liabilities	**3,926,853,431**	4,367,166,914
Total Liabilities	**11,773,969,454**	10,977,492,578
Equity		
Capital stock (Notes 16 and 28)	**1,068,750,000**	356,250,000
Additional paid-in capital (Notes 16 and 28)	**6,675,527,411**	6,675,527,411
Remeasurement losses on pension plan (Note 19)	**(15,894,921)**	(5,059,113)
Retained earnings (Notes 17 and 28)	**10,515,449,171**	7,736,730,682
Total Equity	**18,243,831,661**	14,763,448,980
	₱30,017,801,115	₱25,740,941,558

See accompanying Notes to Parent Company Financial Statements.

SEMIRARA MINING AND POWER CORPORATION
(Formerly Semirara Mining Corporation)

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2014	2013
SALES (Notes 18 and 30)	**₱18,906,431,507**	₱16,677,421,744
COST OF SALES (Note 20)	**(12,231,404,748)**	(11,732,566,593)
GROSS PROFIT	**6,675,026,759**	4,944,855,151
OPERATING EXPENSES (Note 21)	**(2,252,980,293)**	(1,714,881,437)
INCOME FROM OPERATIONS	**4,422,046,466**	3,229,973,714
OTHER INCOME (CHARGES)		
Dividend income (Note 8)	**3,500,000,000**	2,500,000,000
Finance income (Notes 4 and 23)	**15,458,471**	1,889,231
Finance costs (Note 22)	**(119,938,145)**	(152,627,804)
Foreign exchange gains (losses) - net	**(61,847,626)**	(463,937,736)
Other income (Note 24)	**92,010,411**	77,902,774
	3,425,683,111	1,963,226,465
INCOME BEFORE INCOME TAX	**7,847,729,577**	5,193,200,179
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)	**81,511,088**	(131,452,338)
NET INCOME	**7,766,218,489**	5,324,652,517
OTHER COMPREHENSIVE INCOME		
Items not to be reclassified to profit or loss in subsequent periods		
Remeasurement gains (losses) on pension plan (Note 19)	**(15,479,726)**	19,152,259
Income tax effect	**4,643,918**	(5,745,678)
	(10,835,808)	13,406,581
TOTAL COMPREHENSIVE INCOME	**₱7,755,382,681**	₱5,338,059,098

See accompanying Notes to Parent Company Financial Statements.

SEMIRARA MINING AND POWER CORPORATION

(Formerly Semirara Mining Corporation)

PARENT COMPANY 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 Gains (Losses) on Pension Plan (Note 19)	Total
			For the Year Ended December 31, 2014			
Balances as of January 1, 2014	**₱356,250,000**	**₱6,675,527,411**	**₱5,436,730,682**	**₱2,300,000,000**	**(₱5,059,113)**	**₱14,763,448,980**
Comprehensive income:						
Net income for the year	–	–	**7,766,218,489**	–	–	**7,766,218,489**
Other comprehensive income	–	–	–	–	**(10,835,808)**	**(10,835,808)**
Total comprehensive income	–	–	**7,766,218,489**	–	**(10,835,808)**	**7,755,382,681**
Stock dividends declared (Note 17)	**712,500,000**	–	**(712,500,000)**	–	–	–
Cash dividends declared (Note 17)	–	–	**(4,275,000,000)**	–	–	**(4,275,000,000)**
Balances as of December 31, 2014	**₱1,068,750,000**	**₱6,675,527,411**	**₱8,215,449,171**	**₱2,300,000,000**	**(₱15,894,921)**	**₱18,243,831,661**
			For the Year Ended December 31, 2013			
Balances as of January 1, 2013	356,250,000	6,675,527,411	5,987,078,165	700,000,000	(18,465,694)	13,700,389,882
Comprehensive income:						
Net income for the year	–	–	5,324,652,517	–	–	5,324,652,517
Other comprehensive income	–	–	–	–	13,406,581	13,406,581
Total comprehensive income	–	–	5,324,652,517	–	13,406,581	5,338,059,098
Appropriation (Note 17)	–	–	(1,600,000,000)	1,600,000,000	–	–
Cash dividends declared (Note 17)	–	–	(4,275,000,000)	–	–	(4,275,000,000)
Balances as of December 31, 2013	₱356,250,000	₱6,675,527,411	₱5,436,730,682	₱2,300,000,000	(₱5,059,113)	₱14,763,448,980

See accompanying Notes to Parent Company Financial Statements.

SEMIRARA MINING AND POWER CORPORATION
(Formerly Semirara Mining Corporation)

PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱7,847,729,577**	₱5,193,200,179
Adjustments for:		
Depreciation and amortization (Notes 9, 11, 20 and 21)	**1,030,502,414**	1,643,606,374
Finance costs (Note 22)	**119,938,145**	152,627,804
Net unrealized foreign exchange losses (gains)	**56,837,483**	305,932,707
Pension expense (Note 19)	**11,811,178**	11,339,163
Gain on sale of equipment (Notes 9 and 24)	**(336,750)**	(135,073)
Provision for (reversal of) allowance for inventory obsolescence (Note 6)	**(12,154,064)**	4,120,197
Finance income (Note 23)	**(15,458,471)**	(1,889,231)
Dividend income (Note 8)	**(3,500,000,000)**	(2,500,000,000)
Loss on disposal of property, plant and equipment (Notes 9 and 21)	**–**	2,100,416
Provision for allowance for doubtful accounts (Notes 5 and 21)	**–**	29,743,263
Reversal of impairment losses (Notes 11 and 24)	**–**	(61,549,364)
Operating income before changes in operating assets and liabilities	**5,538,869,512**	4,779,096,435
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	**(2,529,846,044)**	(207,872,261)
Inventories	**2,196,858,457**	1,116,849,990
Other current assets	**(19,776,785)**	788,324,472
Increase (decrease) in:		
Trade and other payables	**2,067,791,198**	(362,383,809)
Net cash generated from operations	**7,253,896,338**	6,114,014,827
Benefits paid (Note 19)	**(9,821,873)**	(6,631,312)
Interest received	**15,458,471**	1,886,476
Interest paid	**(115,429,769)**	(149,728,828)
Income taxes paid	**(3,012,370)**	(265,043)
Net cash flows provided by operating activities	**7,141,090,797**	5,959,276,120
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received (Note 8)	**3,500,000,000**	2,500,000,000
Proceeds from sale of equipment (Notes 9 and 24)	**336,750**	135,073
Additions to computer software (Note 11)	**(3,318,631)**	(4,936,722)
Increase in other noncurrent assets	**(243,600)**	(15,344)
Additions to property, plant and equipment (Note 9)	**(1,462,339,688)**	(1,880,310,937)
Additions to investments in subsidiaries (Note 8)	**(2,071,680,148)**	(2,013,359,347)
Increase in other noncurrent liabilities	**18,509,876**	–
Additions to exploration and evaluation asset (Notes 9 and 10)	**(1,317,485,410)**	(298,731,356)
Proceeds from sale of land (Note 18)	**–**	83,981,100
Net cash flows used in investing activities	**(1,336,220,851)**	(1,613,237,533)

(Forward)

	Years Ended December 31	
	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	**₱1,437,140,313**	₱7,594,105,885
Repayment of loans	**(2,784,867,131)**	(6,375,471,601)
Payment of dividends (Note 17)	**(4,275,000,000)**	(4,275,000,000)
Net cash flows used in financing activities	**(5,622,726,818)**	(3,056,365,716)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(2,402,398)**	9,643,293
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**179,740,730**	1,299,316,164
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,709,480,819**	410,164,655
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱1,889,221,549**	₱1,709,480,819

See accompanying Notes to Parent Company Financial Statements.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Semirara Mining and Power Corporation (the Parent Company) is a corporation incorporated in the Philippines on February 26, 1980. It is publicly listed in the Philippines. 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 a majority-owned (56.32%) subsidiary of DMCI Holdings, Inc. (DMCI-HI), a publicly listed entity in the Philippines and its ultimate Parent Company.

The Parent Company'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.

The Parent Company has seven (7) wholly owned subsidiaries namely Sem-Calaca Power Corporation (SCPC), Southwest Luzon Power Generation Corporation (SLPGC), SEM-Cal Industrial Park Developers, Inc. (SIPDI), Semirara Claystone, Inc. (SCI), Semirara Energy Utilities, Inc. (SEUI), St. Raphael Power Generation Corporation (SRPGC) and SEM-Balayan Power Generation Corporation (SBPGC). Nature and status of operations are discussed in Note 8.

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 Parent Company financial statements as of December 31, 2014 and 2013 and for the years then ended were endorsed for approval by the Audit Committee on February 25, 2015 and were authorized for issue by the Executive Committee of the Board of Directors (BOD) on March 6, 2015.

2. Summary of Significant Accounting Policies

Basis of Preparation
The Parent Company financial statements have been prepared using the historical cost basis. The financial statements are prepared in Philippine Peso, which is the Parent Company's functional currency. All amounts are rounded off to the nearest peso, except where otherwise indicated.

The financial statements provide comparative information in respect of the previous period. In addition, the Parent Company presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

Statement of Compliance
The accompanying Parent Company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The Parent Company also prepares and issues consolidated financial statements presented in compliance with PFRS which are available at the Parent Company's registered and principal office address.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) which became effective on January 1, 2014. Except as otherwise indicated, the adoption of these new accounting standards and amendments have no material impact on the Parent Company's financial statements.

The nature and the impact of each new standard and amendment are described below:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief.

  These amendments have no impact to the Parent Company, since none of the entities within the Parent Company qualifies to be an investment entity under PFRS 10.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no impact to the Parent Company.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Parent Company as the Parent Company has no derivatives during the current or prior periods.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments have no impact on the Parent Company.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.

  The adoption of this interpretation did not impact the Parent Company because it has been applying the same principle contained in this interpretation in current and past transactions.

- Annual Improvements to PFRSs (2010-2012 cycle)
  In the 2010 – 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Parent Company.

- Annual Improvements to PFRSs (2011-2013 cycle)
  In the 2011 – 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards–First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Parent Company as it is not a first time PFRS adopter.

New standards and interpretations issued but not yet effective

The Parent Company will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Parent Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

- PFRS 9, *Financial Instruments* – Classification and Measurement (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have

been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The Parent Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

In compliance with SEC Memorandum Circular No. 3, Series of 2012, the Parent Company has conducted study on the impact of an early adoption of PFRS 9. After careful consideration of the results on the impact of evaluation, the Parent Company has decided not to early adopt PFRS 9 for its 2014 annual financial reporting.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Parent Company.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by the BOA:

Effective January 1, 2015

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Parent Company, since the Parent Company has no defined benefit plans with contributions from employees or third parties.

- Annual Improvements to PFRSs (2010-2012 cycle)
  The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Parent Company. They include:

  - PFRS 2, *Share-based Payment – Definition of Vesting Condition*
    This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
    - A performance condition must contain a service condition
    - A performance target must be met while the counterparty is rendering service
    - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group

- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Parent Company shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:
    - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
    - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures – Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Parent Company. They include:

    - PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
    The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
        - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
        - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement – Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (*or PFRS 9, as applicable*).

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Parent Company given that the Parent Company has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Parent Company as the Parent Company does not have any bearer plants.

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Parent Company's financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after 1 January 2016.

- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Parent Company.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Parent Company is an existing PFRS preparer, this standard would not apply.

- Annual Improvements to PFRSs (2012-2014 cycle)
  The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Parent Company. They include:

  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
    The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits – regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, *Financial Instruments* – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 is not expected to have any significant impact on the Parent Company's financial statements.

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 is not expected to have any significant impact on the Parent Company's financial statements.

The following new standard issued by the IASB has not yet been adopted by FRSC:

- IFRS 15 Revenue from Contracts with Customers
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Parent Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Cash and Cash Equivalents
Cash and cash equivalents in the Parent Company 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 Parent Company and therefore is not considered highly liquid. Short-term deposits are subject to an insignificant risk of changes in value.

Financial Instruments
Date of recognition
The Parent Company recognizes a financial asset or a financial liability in the Parent Company's 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 and measurement 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, 2014 and 2013, the Parent Company's financial instruments are in 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 Parent Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the Parent Company's statements 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 Parent Company's statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company 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 or financial assets at FVPL. These are included in current assets if maturity is within twelve (12) months from the reporting date otherwise; these are classified as noncurrent assets. This accounting policy relates to the "Cash and cash equivalents", "Receivables" and certain 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 costs that are an integral part of the EIR. The amortization is included in "Finance income" in the Parent Company's statement of comprehensive income. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired as well as through the amortization process.

Other financial liabilities
Other financial liabilities pertain to issued financial instrument 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 fixed amount of cash or another financial asset for a fixed number of own equity shares.

Other financial liabilities include interest bearing loans and borrowings and trade and other payables. 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 and long-term debts are subsequently measured at amortized cost using the EIR method.

Gains or losses are recognized in statement of comprehensive income when liabilities are derecognized, as well as through the amortization process.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 Parent Company.

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 non-financial 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 Parent Company 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 Parent Company 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.

Impairment of Financial Assets
The Parent Company 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 Parent Company 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 Parent Company 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 assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for group 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 Parent Company 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 Parent Company 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 under "Operating expenses" in the Parent Company's 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 or has been transferred to the Parent Company.

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 the Parent Company's 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 derecognized when:

- the rights to receive cash flows from the asset have expired;
- The Parent Company 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 Parent Company has transferred substantially all the risks and rewards of the asset, or (b) the Parent Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Parent Company 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 Parent Company continues to recognize the transferred asset to the extent of the Parent Company's continuing involvement. In that case, the Parent Company 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 Parent Company has retained.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled 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 Parent Company's statement of comprehensive income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Parent Company's statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Parent Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

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 component of total minesite 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 Parent Company's statement of comprehensive income when consumed.

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 comprehensive income as incurred, unless the Parent Company concludes that a future economic benefit is more likely than not to be realized. These costs include directly attributable employee remuneration, 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 in the 'Property, plant and equipment' once the work completed supports the future development of the property.

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 coal extracted during the development phase.

Stripping Costs

As part of its mining operations, the Parent Company 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.

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below. 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 outlined 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 coal body 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 Parent Company statement of comprehensive income as operating costs as they are incurred.

In identifying components of the coal body, the Parent Company works closely with the mining operations personnel 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 'Mine properties' under 'Property, plant and equipment' in the Parent Company 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 Parent Company's mining properties. The Parent Company estimates its mining reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and requires 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 estimates may have an impact on the carrying value of 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. Property, plant and equipment are carried at cost less accumulated depreciation and any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable import duties, taxes 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. Property, plant and equipment that were previously stated at fair values are reported at their deemed cost.

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 other direct costs. Equipment in transit includes the acquisition cost of equipment and other direct costs.

Mine properties consist 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.

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 or over the remaining life of the mine, whichever is shorter, as follows:

	Years
Mining equipment	2 to 13
Power plant and buildings	10 to 21
Roads and bridges	17

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.

The EUL and depreciation method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

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. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Parent Company's statement of comprehensive income in the year the item is derecognized.

Investment Property

Investment property is measured initially at cost, including transaction costs.

Investment property is derecognized when it has either been disposed of or the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses from derecognition of an investment property are recognized in the Parent Company's statement of comprehensive income in the year of derecognition.

Transfers are made to investment property when there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale. Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change carrying amount of the cost of that property for measurement or disclosure purposes.

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. The cost of computer software acquired in a business combination is measured initially at fair value as at the date of acquisition. Following initial recognition, computer software is carried at cost less any accumulated amortization on a straight line basis over their useful lives of two (2) years and any accumulated impairment losses.

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 Parent Company's statement of comprehensive income when the asset is derecognized.

Investments in Subsidiaries

This account includes investments and stock subscriptions in its subsidiaries.

The Parent Company's investments in its subsidiaries are accounted for using the cost method of accounting. The investments are carried in the Parent Company's statement of financial position at cost less any impairment in value. On acquisition of the investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is included in the carrying amount of the investment and not amortized.

A subsidiary is an entity controlled by the Parent Company. Control is achieved when the Parent Company 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 Parent Company controls an investee if and only if the Parent Company 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.

The subsidiaries are fully consolidated from the date of incorporation, being the date on which the Parent Company obtains control and continues to be consolidated until the date that such control ceases. The Parent Company recognizes income from the investment when its right to receive dividends is established.

Impairment of Nonfinancial Assets
The Parent Company assesses at each reporting date whether there is an indication that its nonfinancial assets (e.g., inventories, property, plant and equipment, investment property, investments in subsidiaries, and computer software) may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount.

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.

Impairment losses of continuing operations are recognized in the Parent Company's 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 Parent Company's statement of comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. 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.

Inventories
NRV tests are performed at least annually and represent the estimated sales price based on prevailing price at the 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 Parent Company's 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.

Investments in subsidiaries
The Parent Company determines at each reporting date whether there is any objective evidence that the investments in subsidiaries are impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the fair value and the carrying value of the investee company and recognizes the difference in the Parent Company's statement of comprehensive income.

<u>Other Assets</u>
Other assets pertain to resources controlled by the Parent Company as a result of past events and from which future economic benefits are expected to flow to the Parent Company.

<u>Current and Noncurrent Classification</u>
The Parent Company presents assets and liabilities in statement of financial position based on current/noncurrent classification. An asset is current when it is either:
- 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 either:
- 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 Parent Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company 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 Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Parent Company has concluded that it is acting as principal in all of its 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.

Dividend income
Revenue is recognized when the Parent Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other income
Other income is recognized when earned.

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 costs directly related to the production such as cost of fuel and lubricants, materials and supplies, depreciation and other related costs. These costs are recognized when incurred.

Operating Expenses
Operating expenses are expenses that arise in the course of the ordinary operations of the Parent Company. 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 Parent Company's statement of comprehensive income as incurred.

Other Comprehensive Income (Loss)
This pertains to items of income and expenses that are not recognized in the profit or loss for the year in accordance with PFRS.

Pension Costs
The Parent Company 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 comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by 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 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 profit or loss in subsequent periods. All remeasurements recognized in OCI account "Remeasurement gains (losses)" on pension plans 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 Parent Company, nor can they be paid directly to the Parent Company. 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 Parent Company'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 date 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.

Deferred tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences with certain exceptions at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry over (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry forward 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 profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are 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 substantively enacted at reporting date.

Provisions

Provisions are recognized only when the Parent Company 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 Parent Company 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 Parent Company's statement of comprehensive income as a finance cost. Additional adjustments 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 Parent Company's statement of comprehensive income.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and 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 the 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 renewal or extension period for scenario (b).

Parent Company as a lessee
Finance leases, which transfer to the Parent Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Finance charges are recognized in the Parent Company's statement of comprehensive income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Parent Company will obtain ownership by the end of the lease term.

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 as an expense in the Parent Company's statement of comprehensive income on a straight line basis over the lease term.

Operating lease payments are recognized in the cost of coal sales under "Outside Services" in the Parent Company statement of comprehensive income on a straight line basis over the lease term.

Foreign Currency Transactions and Translations
The Parent Company financial statements are presented in Philippine peso, which is also the functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate at reporting date. All differences are taken to the Parent Company's statement of comprehensive income.

Equity
The Parent Company records common stocks at par value and amount of the 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 (losses) of the Parent Company less dividends declared, if any. Dividends on common stocks are recognized as a liability and deducted from equity when 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.

Operating Segments
The Parent Company'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. Financial information on business segments is presented in Note 30.

Contingencies
Contingent liabilities are not recognized in the Parent Company 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 Parent Company 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 Parent Company's position at reporting date (adjusting events) are reflected in the Parent Company financial statements. Any post year-end event that is not an adjusting event is disclosed when material to the Parent Company financial statements.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Parent Company financial statements in compliance with PFRS requires the Parent Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. The judgments, estimates and assumptions used in the accompanying Parent Company financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Parent Company financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the Parent Company financial statements as they become reasonably determinable. Actual results could differ from such estimates.

Judgments
In the process of applying the Parent Company'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 Parent Company financial statements:

a. *Determining functional currency*
The Parent Company, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be the Philippine Peso. It is the currency of the economic environment in which the Parent Company primarily operates.

b. *Operating lease commitments - the Parent Company as lessee*
The Parent Company has entered into various contracts of lease for office space, equipment and land. The Parent Company has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining the significant risks and benefits of ownership, the Parent Company considered, among others, the significance of the lease term as compared with the EUL of the related asset (see Note 27).

c. *Exploration and evaluation expenditure*
The application of the Parent Company'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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company 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 external legal counsel handling the Parent Company's defense in these matters and is based upon an analysis of potential results. The Parent Company currently believes that these proceedings will not have a material adverse effect on its financial position.

It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 27).

Management's Use of Estimates and Assumptions

The key assumptions concerning the future and other sources of estimation uncertainty at the 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 Parent Company'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 Parent Company's sales arrangement with its customers includes reductions of invoice price to take into consideration charges for penalties and bonuses. These price adjustments depend on the estimated quality of the delivered coal. These estimates are based on final coal quality analysis on 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 Parent Company 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. The Parent Company 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 Parent Company 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 allowance for doubtful accounts for Receivables is disclosed in Note 5.

c. *Estimating stock pile inventory quantities*

The Parent Company 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 Parent Company utilized different estimates and this would either increase or decrease the profit for the year.

The amount of coal inventory is disclosed in Note 6.

d. Estimating allowance for obsolescence in spare parts and supplies
The Parent Company estimates its allowance for inventory obsolescence in spare parts and supplies based on periodic specific identification. The Parent Company 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 Parent Company made different judgments or utilized different estimates. An increase in the allowance for inventory obsolescence would increase the Parent Company's recorded operating expenses and decrease its current assets.

The carrying amount of spare parts and supplies is disclosed in Note 6.

e. Estimating decommissioning and site rehabilitation costs
The Parent Company is legally required to fulfill certain obligations under its Department of Environment and Natural Resources issued Environmental Compliance Certificate when it abandons depleted mine pits. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. 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 mining assets and 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.

f. Estimating useful lives of property, plant and equipment and computer software
The Parent Company 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 Parent Company reviews annually the EUL of property, plant and equipment and computer software cost based on factors that include asset utilization, internal technical evaluation, 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.

The carrying values of the property, plant and equipment are disclosed in Note 9.

g. Estimating impairment for nonfinancial assets
The Parent Company assesses impairment on investments in subsidiaries, 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 Parent Company 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 Parent Company 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 Parent Company is required to make estimates and assumptions that can materially affect the Parent Company financial statements.

The carrying values of the investments in subsidiaries, property, plant and equipment, computer software and input VAT withheld are disclosed in Notes 8, 9 and 11, respectively.

h. Deferred tax assets
The Parent Company 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 Parent Company will generate taxable earnings in future periods, 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 in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Parent Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

In 2014 and 2013, the Parent Company recognized deferred tax assets from various deductible temporary differences as these are expected to reverse within the period of operating activities (see Note 25).

i. Estimating pension and other employee benefits
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. 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.

Pension liabilities as of December 31, 2014 and 2013 are disclosed in Note 19.

4. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash in banks and on hand	**₱889,514,203**	₱1,705,335,358
Cash equivalents	**999,707,346**	4,145,461
	₱1,889,221,549	₱1,709,480,819

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 Parent Company, and earn interest ranging from 1.25% to 2.75% and 1.40% to 1.50% in 2014 and 2013, respectively.

In 2014 and 2013, total interest income earned on cash and cash equivalents amounted to ₱15.46 million and ₱1.89 million, respectively (see Note 23).

5. Receivables

	2014	2013
Trade receivables - outside parties	**₱1,513,320,498**	₱1,071,320,070
Trade receivables - related parties (Note 18)	**3,303,851,692**	1,213,605,171
Others	**23,824,215**	26,225,120
	4,840,996,405	2,311,150,361
Less allowance for doubtful accounts	**35,558,622**	35,558,622
	₱4,805,437,783	₱2,275,591,739

Trade receivables - outside parties
Trade receivables are noninterest-bearing and generally have 30-45 days' credit terms.

- Local sales - coal sold to domestic market which is priced in Philippine Peso.
- Export sales - coal sold to international market which is priced in US Dollar.

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 and employees. These are generally noninterest-bearing and are collectible over a period of one year.

Movements in the allowance for doubtful accounts of receivables were as follows:

	2014		
	Trade Receivables - outside parties	**Others**	**Total**
At January 1	**₱29,743,263**	**₱5,815,359**	**₱35,558,622**
Provision (Note 21)	**–**	**–**	**–**
At December 31	**₱29,743,263**	**₱5,815,359**	**₱35,558,622**

	2013		
	Trade Receivables - outside parties	Others	Total
At January 1	₱–	₱5,815,359	₱5,815,359
Provision (Note 21)	29,743,263	–	29,743,263
At December 31	₱29,743,263	₱5,815,359	₱35,558,622

6. Inventories

	2014	2013
Coal inventory at cost	**₱505,682,259**	₱1,860,209,122
Spare parts and supplies at NRV	**917,469,271**	1,743,612,010
	₱1,423,151,530	₱3,603,821,132

Coal inventory are stated at cost, which is lower than net realizable value (NRV). The cost of coal inventories recognized as cost of sales in the Parent Company statements of comprehensive income amounted to ₱12.23 billion and ₱11.73 billion in 2014 and 2013, respectively (see Note 20).

Coal inventory at cost included capitalized depreciation of ₱4.03 million and ₱180.23 million in 2014 and 2013, respectively (see Note 9).

The rollforward analysis for inventory obsolescence follows:

	2014	2013
Beginning Balance	**₱57,407,122**	₱53,286,925
Provision for the year	**–**	4,120,197
Reversal during the year	**(12,154,784)**	–
Ending Balance	**₱45,252,338**	₱57,407,122

Provision for inventory obsolescence is recorded under "Materials and supplies" of cost of sales (see Note 20).

7. Other Current Assets

	2014	2013
Advances to suppliers	**₱434,180,447**	₱423,142,840
Creditable withholding tax	**421,797,674**	413,716,882
Others	**17,537,227**	16,878,841
	₱873,515,348	₱853,738,563

Advances to suppliers
Advances to suppliers account represent payments made in advance for the acquisition of materials and supplies. These advances are applied against purchase which normally occurs within one year from the date the advances have been made.

Creditable withholding tax
Creditable withholding tax is attributable to taxes withheld by third parties arising from the coal sales and that will be applied to future taxes payable.

Others
Others include prepayments on insurance and rental charges.

8. Investments in Subsidiaries

	Ownership	2014	2013
SCPC	100%	**₱8,000,000,000**	₱8,000,000,000
SLPGC	100%	**7,300,000,000**	5,228,319,852
SEUI	100%	**3,125,000**	3,125,000
SBPGC	100%	**3,125,000**	3,125,000
SRPGC	100%	**3,125,000**	3,125,000
SIPDI	100%	**2,500,000**	2,500,000
SCI	100%	**2,500,000**	2,500,000
		₱15,314,375,000	₱13,242,694,852

SCPC
On July 8, 2009, Power Sector Assets and Liabilities Management Corporation (PSALM) selected DMCI-HI as the winning bidder for the sale of the 2 X 300 megawatt (MW) Batangas Coal-Fired Power Plant (the Power Plant) located in San Rafael, Calaca, Batangas.

On December 1, 2009, the Parent Company was authorized by the Board of Directors (BOD) to advance an amount of ₱7,158.70 million for the purchase of the Power Plant of PSALM through its wholly owned subsidiary in order to meet SCPC's financial obligation under Asset Purchase Agreement (APA) and Land Lease Agreement. In 2010, additional advances made by the Parent Company amounted to ₱840.05 million. On March 7, 2011, the said advances were converted by the Parent Company into SCPC's common shares of 7,998.75 million.

Pursuant to the provision of the APA, PSALM agreed to sell and transfer to DMCI-HI the Power Plant on an "as is where is" basis on December 31, 2009. The agreed purchase price amounted to $368.87 million.

On April 28, 2014 and March 25, 2013, SCPC declared cash dividend of ₱0.43 and ₱0.31 per share, respectively, to stockholders of record as of these dates to which the Parent Company received dividend income of ₱3.50 billion in 2014 and ₱2.50 billion in 2013.

SLPGC
On June 21, 2011, the BOD authorized to invest in a 2 X 150 MW coal-fired power plant in Calaca, Batangas, through the incorporation of a wholly owned subsidiary. On August 31, 2011, the Parent Company incorporated said wholly owned subsidiary under the name of "Southwest Luzon Power Generation Corporation".

SLPGC is incorporated to acquire, design, develop, construct, expand, invest in, and operate electric power plants, and engage in business of a Generation Company in accordance with Republic Act No. 9136, otherwise known as Electric Power Industry Reform Act of 2001 (the EPIRA), to invest in, operate and engage in missionary electrification as a Qualified Third Party under EPIRA and its implementing rules and regulations, and to design, develop, assemble and operate other power related facilities, appliances and devices.

SLPGC has an authorized capital stock of ₱10,000.00 million divided into 10,000.00 million shares with a par value of ₱1.00 per share. As of December 31, 2014, 7.3 billion of the authorized capital stock has been subscribed and ₱7.3 billion has been paid for by the Parent Company.

On August 26, 2011, upon incorporation of SLPGC, the Parent Company paid for the organizational costs amounting to ₱20.20 million. This was accounted as additional investment by the Parent Company to SLPGC.

In 2013, the Parent Company invested for a capital stock subscription of SLPGC to the extent of 1,500.00 million shares of stock with a par value of ₱1.00 per share or with a total subscription of ₱1,500.00 million. The Parent Company has paid in full the subscribed shares in November and December 2013.

In 2014, the Parent Company subscribed and paid for a capital stock of SLPGC to the extent of 2.07 billion shares of stock with a par value of ₱1.00 per share or a total subscription of ₱2.07 billion.

SEUI
On February 18, 2013, SEUI was incorporated to perform Qualified Third Party (QTP) functions pursuant to Section 59 of Republic Act 9136, otherwise known as the "Electric Power Industry Reform Act of 2001 ("EPIRA") and its Implementing Rules & Regulations", DOE-Circular No. 2004-06-006 of the Department of Energy defines QTP as an alternative service provider authorized to serve remote and unviable areas pursuant to Section 59 of the EPIRA Law. The new company intends to act as the QTP over Barangays of Semirara, Tinogboc and Alegria, all located at Semirara Island, Caluya, Antique.

SEUI has authorized capital stock of ₱12.50 million and is divided into 12.50 million shares with a par value of ₱1.00 per share, to which the Parent Company has subscribed and paid ₱3.13 million of said capital stock.

SBPGC
On September 9, 2013, SBPGC was incorporated to acquire, construct, erect, assemble, rehabilitate, expand, commission, operate and maintain power-generating plants and related facilities for the generation of electricity, including facilities to purchase, manufacture, develop or process fuel for the generation of such electricity, to sell electricity to any person or entity through electricity markets, by trading, or by contract, to administer, conserve and manage the electricity generated by power-generating plants, owned by SBPGC or by a third party, to invest in or acquire corporations or entities engaged in any of the foregoing activities.

SBPGC has authorized capital stock of ₱12.50 million and is divided into 12.50 million shares with a par value of ₱1.00 per share, to which the Parent Company has subscribed and paid ₱3.13 million of said capital stock.

SRPGC
On September 10, 2013, SRPGC was incorporated to acquire, construct, erect, assemble, rehabilitate, expand, commission, operate and maintain power-generating plants and related facilities for the generation of electricity, including facilities to purchase, manufacture, develop or process fuel for the generation of such electricity, to sell electricity to any person or entity through electricity markets, by trading, or by contract, to administer, conserve and manage the electricity generated by power-generating plants, owned by SRPGC or by a third party, to invest in or acquire corporations or entities engaged in any of the foregoing activities.

SRPGC has authorized capital stock of ₱12.50 million and is divided into 12.50 million shares with a par value of ₱1.00 per share, to which the Parent Company has subscribed and paid ₱3.13 million of said capital stock.

SIPDI
On March 7, 2011, the BOD approves the recommendation to engage in or be duly authorized to operate, maintain and develop a special economic zone in Balayan and Calaca, Batangas.

On April 24, 2011, the Parent Company incorporated a new wholly owned subsidiary under the name of "Sem-Cal Industrial Park Developers, Inc". The primary purpose of which is to acquire, develop, construct, invest in, operate and maintain an economic zone capable of providing infrastructures and other support facilities for export manufacturing enterprises, information technology enterprises, tourism economic zone enterprises, medical tourism economic zone enterprises, retirement economic zone enterprises and/or agro-industrial enterprises, inclusive of the required facilities and utilities, such as light and power system, water supply and distribution system, sewerage and drainage system, pollution control devices, communication facilities, paved road network, and administration building as well as amenities required by professionals and workers involved in such enterprises, in accordance with Republic Act (R.A.) No. 7916, as amended by R.A. No. 8748, otherwise known as the Special Economic Zone Act of 1995.

SIPDI has authorized capital stock of ₱10.00 million and is divided into 10.00 million shares with a par value of ₱1.00 per share, to which the Parent Company has subscribed and paid ₱2.50 million of said capital stock.

SCI
On November 29, 2012, SCI was incorporated to engage in, conduct, and carry on the business of manufacturing, buying, selling, distributing, marketing at wholesale and retail insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description including pottery earthenware, stoneware, bricks, tiles, roofs and other merchandise produce from clay; to enter into all contracts for export, import, purchase requisition, sale at wholesale or retail and other disposition for its own account as principal or in representative capacity as manufacturer's representative, merchandise broker, indentor, commission merchant, factors or agents, upon consignment of all goods, wares, merchandise or products natural or artificial.

SCI has authorized capital stock of ₱10.00 million and is divided into 10.00 million shares with a par value of ₱1.00 per share, to which the Parent Company has subscribed and paid ₱2.50 million of said capital stock.

Except for SCPC, the Parent Company's subsidiaries have not yet started commercial operations as of December 31, 2014.

9. Property, Plant and Equipment

	2014				
	Mining Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	Total
At Cost					
At January 1	₱15,813,918,171	₱1,737,692,231	₱827,359,725	₱1,111,884,702	₱19,490,854,829
Additions	1,090,790,241	–	–	371,549,447	1,462,339,688
Transfers	–	6,730,771	–	(6,730,771)	–
Disposals	(101,814,429)	–	–	–	(101,814,429)
Adjustment (Note 15)	(18,509,876)	–	–	–	(18,509,876)
At December 31	16,784,384,107	1,744,423,002	827,359,725	1,476,703,378	20,832,870,212
Accumulated Depreciation					
At January 1	14,193,380,361	1,603,717,867	299,705,962	–	16,096,804,190
Depreciation (Notes 20 and 21)	1,133,125,606	92,607,794	54,829,714	–	1,280,563,114
Disposals	(101,814,429)	–	–	–	(101,814,429)
At December 31	15,224,691,538	1,696,325,661	354,535,676	–	17,275,552,875
Net Book Value	₱1,559,692,569	₱48,097,341	₱472,824,049	₱1,476,703,378	₱3,557,317,337

	2013				
	Mining Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	Total
At Cost					
At January 1	₱14,924,845,644	₱1,681,957,793	₱365,683,504	₱956,528,338	₱17,929,015,279
Additions	1,207,543,914	–	–	672,767,023	1,880,310,937
Transfers	–	55,734,438	461,676,221	(517,410,659)	–
Disposals	(318,471,387)	–	–	–	(318,471,387)
At December 31	15,813,918,171	1,737,692,231	827,359,725	1,111,884,702	19,490,854,829
Accumulated Depreciation					
At January 1	12,731,244,963	1,521,264,672	291,043,871	–	14,543,553,506
Depreciation (Notes 20 and 21)	1,778,506,369	82,453,195	8,662,091	–	1,869,621,655
Disposals	(316,370,971)	–	–	–	(316,370,971)
At December 31	14,193,380,361	1,603,717,867	299,705,962	–	16,096,804,190
Net Book Value	₱1,620,537,810	₱133,974,364	₱527,653,763	₱1,111,884,702	₱3,394,050,639

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, 2014 and 2013.

Mine properties, which are included in mining equipment, pertain to the expected decommissioning and site rehabilitation costs of minesites and dismantling of mining machineries and conveyor belts at the end of its life.

In 2014 and 2013, the Parent Company sold various equipment at a gain amounting to ₱0.34 million and ₱0.14 million, respectively (see Note 24).

The cost of fully depreciated assets that are still in use amounted to ₱10.71 billion and ₱8.95 billion as of December 31, 2014 and 2013, respectively.

Depreciation and amortization included in the Parent Company's statements of comprehensive income and capitalized as cost of inventories, and exploration and evaluation asset follow:

	2014	2013
Included under:		
Inventories	**₱4,034,790**	₱180,227,557
Exploration and evaluation asset (Note 10)	**248,799,589**	49,421,284
Cost of sales (Note 20):		
Depreciation and amortization	**995,332,160**	1,509,285,132
Hauling and shiploading costs	**10,807,640**	106,300,856
Operating expenses (Note 21)	**24,362,614**	28,020,386
	₱1,283,336,793	₱1,873,255,215

	2014	2013
Depreciation and amortization of:		
Property, plant and equipment	**₱1,280,563,114**	₱1,869,621,655
Software costs (Note 11)	**2,773,679**	3,633,560
	₱1,283,336,793	₱1,873,255,215

10. Exploration and Evaluation Asset

	2014	2013
At January 1	**₱348,152,639**	₱–
Addition	**1,566,284,999**	348,152,639
At December 31	**₱1,914,437,638**	₱348,152,639

These costs are related to exploratory drilling and activities in 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 Competent Person report dated December 29, 2014 showed mineable reserve of 71.00 million metric tons with recoverable coal reserve of 64.00 million metric tons, after superimposing an optimum pit over the existing coal resources delineated at Bobog by extensive drilling.

11. Other Noncurrent Assets

	2014	2013
Five percent (5%) input value-added tax (VAT) withheld - net of allowance for impairment losses of ₱25.98 million	**₱164,526,094**	₱164,526,094
Computer software - net	**4,225,881**	3,680,929
Environmental guarantee fund	**1,500,000**	1,500,000
Others	**8,765,942**	8,522,344
	₱179,017,917	₱178,229,367

5% input VAT withheld
As a result of the enactment of RA No. 9337 effective November 1, 2005, National Power Corporation (NPC) started withholding the required 5% input VAT on the VAT exempt coal sales.

On March 7, 2007, the Parent Company obtained a ruling from the Bureau of Internal Revenue (BIR) which stated that the sale of coal remains exempt from VAT.

In 2007, the Parent Company filed for refund or issuance of Tax Credit Certificates (TCCs) covering a total amount of ₱190.50 million with the BIR representing VAT erroneously withheld by NPC from December 2005 to January 2007. Due to BIR inaction on the claim, the same were eventually was elevated to the Court of Tax Appeals (CTA). On October 13, 2009, CTA granted the Parent Company's petition for a refund/issuance of TCCs on erroneously withheld VAT for its December 2005 sales amounting to ₱11.85 million. On August 10, 2010, the CTA issued a Writ of Execution and was served to BIR on August 13, 2010. To date the BIR has yet to comply with the Writ of Execution.

On February 10, 2011, the CTA rendered its decision granting the claim of the Parent Company for a refund or issuance of a TCC for an amount of ₱86.11 million covering VAT erroneously withheld by NPC from January 1, 2006 to June 30, 2006. The BIR filed the corresponding petitions and motion with the CTA but was denied. On November 5, 2012, the BIR went up to the Supreme Court (SC) via Petition for Review on Certiorari. Said BIR petition was denied by the SC. Later in June 9, 2013, BIR's Motion for Reconsideration was denied by the SC and on October 10, 2013 an Entry of Judgement was issued. The Writ of Execution was later issued by the CTA on February 18, 2014. To date, writ has yet to be served to the BIR as all the requirements to complete service is still being complied.

On March 28, 2011 the CTA rendered its decision granting the Parent Company's claim for refund or issuance of TCCs in the amount of ₱77.25 million. BIR's petitions and motion for reconsideration with the CTA En Banc were all denied in a Resolution dated May 29, 2012. Later the BIR elevated the case to the SC. To date the matter remains pending with the Supreme Court.

On January 4, 2011, the CTA rendered its decision in favor of the Parent Company for refund/TCC in the amount of ₱15.3 million. The BIR elevated the case to the SC where the case remains pending.

In 2012, management has estimated that the refund will be recovered after ten (10) to fifteen (15) years. Consequently, the claim for tax refund was provided with provision for impairment losses amounting to ₱47.15 million.

Because of the above developments, management reassessed the timeline of collection to be in 5 years (instead of 15 years). A re-estimation of the realizable value was made by the management using discounted cash flows with the assumption of collection in 5 years and discount rate of 2.91%. This resulted to a reversal of ₱61.55 million provision for impairment losses reflected as "Other income" in the Parent Company statements of comprehensive income in 2013 (see Note 24).

Movements in allowance for impairment losses of the 5% input VAT withheld:

	2014	2013
At January 1	**₱25,975,708**	₱87,525,072
Reversal (Note 24)	–	(61,549,364)
At December 31	**₱25,975,708**	₱25,975,708

Computer software
Movements in the computer software account follow:

	2014	2013
At Cost		
At January 1	**₱29,784,459**	₱24,847,737
Additions	**3,318,631**	4,936,722
At December 31	**33,103,090**	29,784,459
Accumulated Amortization		
At January 1	**26,103,530**	22,469,970
Amortization (Note 9)	**2,773,679**	3,633,560
At December 31	**28,877,209**	26,103,530
Net Book Value	**₱4,225,881**	₱3,680,929

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 Parent Company's environmental unit.

Others
Others include various types of deposits which are recoverable over more than one year.

12. Trade and Other Payables

	2014	2013
Trade:		
Payable to suppliers and contractors	**₱3,679,276,702**	₱2,660,927,471
Related parties (Note 18)	**1,076,131,422**	597,043,568
Payable to Department of Energy (DOE) and local government units (LGU) (Note 26)	**1,134,628,349**	877,947,530
Accrued expenses and other payables	**528,142,152**	187,808,286
	₱6,418,178,625	₱4,323,726,855

Trade payables 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 ₱907.44 million (US$20.29 million) and ₱968.56 million (US$21.82 million) as of December 31, 2014 and 2013, respectively, to various foreign suppliers for open account purchases of equipment and equipment parts and supplies.

Trade payables are non-interest 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 26).

Accrued expenses and other payables
Details of the accrued expenses and other payables account follow:

	2014	2013
Rental (Note 18)	**₱266,511,787**	₱14,188,245
Dredging services	**68,773,000**	–
Salaries and wages	**49,515,343**	18,483,313
Taxes, permits and licenses	**25,159,925**	49,486,162
Shipping costs	**7,386,515**	89,536,340
Interest	**4,508,376**	5,572,573
Professional fees	**1,629,936**	1,552,320
Others	**104,657,270**	8,989,333
	₱528,142,152	₱187,808,286

Accrued expenses and other payables are non-interest 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.

13. Short-term Loans

Short-term loans represent various unsecured promissory notes from local banks with interest rates ranging from 1.13% to 2.50% and 1.17% to 3.00% in 2014 and 2013, respectively.

The carrying amount of these short-term loans as of December 31, 2014 and 2013 amounted to ₱1.22 billion and ₱1.66 billion, respectively.

The interest expense on these short-term loans recognized under "Finance Cost" amounted to ₱26.17 million and ₱34.53 million in 2014 and 2013, respectively (see Note 22).

14. Long-term Debt

	2014	2013
Bank loans	**₱3,933,732,375**	₱4,790,697,568
Less current portion of bank loans	**210,184,000**	631,518,875
	₱3,723,548,375	₱4,159,178,693

Local bank loans
Details of the bank loans follow (see Note 28):

Loan Type	Date of Availment	Outstanding Balance 2014	Outstanding Balance 2013	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
Dollar loan 1	2013	₱474,345,624	₱341,682,734	2016	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	1,924,860,779	2,743,311,227	2016	Floating rate to be repriced every 3 months	Interest payable every 3months, 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
Dollar loan 3	2014	1,462,344,000	1,553,825,725	2016	Floating rate to be repriced every 3 months	Interest payable every 3months, 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	72,181;972	151,877,882	2016	Floating rate to be repriced every 3 months	Interest payable every 3months, 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
		₱3,933,732,375	₱4,790,697,568				

Interest expenses on long-term debt recognized under "Finance Cost" amounted to ₱53.57 million and ₱81.58 million in 2014 and 2013, respectively (see Note 22).

As of December 31, 2014, there is no more available borrowing facility that can be drawn.

The maturities of long-term debt at nominal values as of December 31, 2014 and 2013 follow:

	2014	2013
Due in:		
2013	**₱–**	₱–
2014	**–**	631,518,875
2015	**210,184,000**	1,418,552,896
2016	**3,723,548,375**	2,740,625,797
	₱3,933,732,375	₱4,790,697,568

15. Provision for Decommissioning and Site Rehabilitation

	2014	2013
At January 1	**₱185,885,154**	₱52,696,210
Additions (Note 9)	**–**	133,188,944
Actual rehabilitation	**(10,388,161)**	–
Effect of changes in estimates (Note 9)	**(18,509,876)**	–
Accretion of interest (Note 22)	**6,745,841**	–
At December 31	**₱163,732,958**	₱185,885,154

Discount rates used by the Parent Company to compute for the present value of liability for decommissioning and site rehabilitation cost range from 3.86% to 4.63% and 3.63% to 4.63% in 2014 and 2013, respectively.

Additions pertain to the effects of changes in estimates as to the extent and costs of rehabilitation activities, cost increases and changes in discount rates based on relative prevailing market rates.

16. Capital Stock

The details of the Parent Company's capital stock as of December 31, 2014 and 2013 are as follow:

	2014	
	Shares	**Amount**
Capital stock - ₱1 par value:		
Authorized	**3,000,000,000**	**₱3,000,000,000**
Issued and outstanding:		
Balances at beginning of year	**356,250,000**	**356,250,000**
Stock dividend declared (Note 17)	**712,500,000**	**712,500,000**
Balance at end of year	**1,068,750,000**	**1,068,750,000**

	2013	
	Shares	Amount
Capital stock - ₱1 par value:		
Authorized	1,000,000,000	₱1,000,000,000
Issued and outstanding:		
Balances at beginning and end of year	356,250,000	356,250,000

On November 28, 1983, the Philippine Securities and Exchange Commission (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, the SEC approved the increase of authorized capital stock from ₱1.00 billion to ₱3.00 billion divided into 3 billion common shares with a par value of ₱1.00 per share.

Capital Stock
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 (Note 17)	712,500,000		August 22, 2014	5
December 31, 2014	1,068,750,000			668

17. Retained Earnings

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, 2014 amounted to ₱8.22 billion.

Cash Dividends
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 ₱712,500,000, divided into 712,500,000 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, Securities and Exchange Commission approved and fixed the record date on September 8, 2014.

Appropriations
On August 8, 2013, the BOD 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 circulating fluidized bed power plant in Calaca, Batangas owned by SLPGC (a wholly subsidiary of the Parent Company). The project is expected to be completed in the first quarter of 2015.

On March 12, 2013, the BOD ratified the remaining ₱700.00 million appropriation to partially cover new capital expenditures for the Parent Company's mine operation for the years 2013 to 2015.

18. Related Party Transactions

The Parent Company in its regular conduct of business has entered into transactions with related parties. Related 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 Parent Company has affiliates under common control of DMCI-HI.

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:

	2014			
	Amount/ Volume	Receivable (Payable)	Terms	Conditions
Trade receivables - related parties (see Note 5)				
Subsidiaries				
a.) Coal sales	₱2,616,924,087	₱2,274,282,138	30 days, non-interest bearing	Unsecured, no impairment
Transfer of materials and reimbursements of shared expenses	13,009,604	854,448,689	non-interest bearing, due and demandable	Unsecured, no impairment
b.) Transfer of materials and reimbursement of pre-operating related costs	60,836,652	98,904,304	non-interest bearing, due and demandable	Unsecured, no impairment
c.) Reimbursements of expenses	6,862,523	6,940,683	non-interest bearing, due and demandable	Unsecured, no impairment
d.) Reimbursements of pre-operating expenses	2,441,818	2,441,818	non-interest bearing, due and demandable	Unsecured, no impairment
Entities under common control				
e.) Transfer of materials and reimbursement of shared expenses	10,529,100	56,138,357	non-interest bearing, due and demandable	Unsecured, no impairment
f.) Reimbursements of shared expenses	9,153,202	9,153,202	non-interest bearing, due and demandable	Unsecured, no impairment
g.) Reimbursements of expenses	1,527,501	1,542,501	non-interest bearing, due and demandable	Unsecured, no impairment
	₱2,721,284,487	₱3,303,851,692		

(Forward)

	2014			
	Amount/ Volume	**Receivable (Payable)**	**Terms**	**Conditions**
Trade payables - related parties (see Note 12)				
Entities under common control				
h.) Construction and other outside services	**₱481,720,560**	**(₱905,688,597)**	**30 days, non-interest bearing**	**Unsecured**
i.) Mine exploration and hauling services	**157,477,279**	**(154,705,292)**	**30 days, non-interest bearing**	**Unsecured**
j.) Purchases of office supplies and refreshments	**3,492,708**	**(1,022,930)**	**30 days, non-interest bearing**	**Unsecured**
k.) Office, parking and warehouse rental expenses	**5,484,428**	**(1,992,807)**	**30 days, non-interest bearing**	**Unsecured**
l.) Aviation services	**7,037,467**	**(12,721,796)**	**30 days, non-interest bearing**	**Unsecured**
	₱655,212,442	**(₱1,076,131,422)**		
Accrued expenses and other payables (see Note 12)				
Entities under common control				
m.) Rental of various properties	**₱266,511,787**	**(₱266,511,787)**	**non-interest bearing**	**Unsecured**
Investments in subsidiaries (see Note 8)				
n.) Additional investment	**₱2,071,680,148**	**₱–**	**non-interest bearing, due and demandable**	**Unsecured**
	₱2,071,680,148	**₱–**		

	2013			
	Amount/ Volume	Receivable (Payable)	Terms	Conditions
Trade receivables - related parties (see Note 5)				
Subsidiaries				
a.) Coal sales	₱4,103,852,504	₱256,855,024	30 days, non-interest bearing	Unsecured, no impairment
Transfer of materials and reimbursement of shared expenses	905,650,000	841,439,198	non-interest bearing, due and demandable	Unsecured, no impairment
b.) Transfer of materials and reimbursement of pre-operating related costs	38,067,653	38,067,653	non-interest bearing, due and demandable	Unsecured, no impairment
c.) Reimbursements of expenses	1,260,000	1,372,239	non-interest bearing, due and demandable	Unsecured, no impairment
d.) Reimbursements of pre-operating expenses	317,455	317,445	non-interest bearing, due and demandable	Unsecured, no impairment
Entities under common control				
e.) Transfer of materials and reimbursement of shared expenses	2,218,766	66,138,357	non-interest bearing, due and demandable	Unsecured, no impairment
f.) Reimbursements of shared expenses	30,000	8,717,043	non-interest bearing, due and demandable	Unsecured, no impairment
g.) Reimbursements of expenses	698,212	698,212	non-interest bearing, due and demandable	Unsecured, no impairment
	₱5,052,094,590	₱1,213,605,171		
Trade payables - suppliers and contractors (see Note 12)				
Subsidiary				
a.) Customers' deposit	₱651,891,000	(₱30,370,185)	30 days, non-interest bearing	Unsecured
Trade payables - related parties (see Note 12)				
Entities under common control				
h.) Construction and other outside services	₱337,990,616	(₱570,694,278)	30 days, non-interest bearing	Unsecured
i.) Mine exploration and hauling services	554,092,099	(20,138,858)	30 days, non-interest bearing	Unsecured
j.) Purchases of office supplies and refreshments	5,659,359	(2,726,026)	30 days, non-interest bearing	Unsecured
k.) Office, parking and warehouse rental expenses	7,380,000	(1,944,397)	30 days, non-interest bearing	Unsecured
l.) Aviation services	6,890,000	(1,540,009)	30 days, non-interest bearing	Unsecured
	₱912,012,074	(₱597,043,568)		
Investments in subsidiaries (see Note 8)				
m.) Additional investment	₱2,015,202,400	₱–	non-interest bearing, due and demandable	Unsecured
o.) Sale of real property	84,808,500	–	non-interest bearing, due and demandable	Unsecured
	₱2,100,010,900	₱–		

a. The Parent Company has entered into purchase commitment with SCPC for the supply of coal. The contract agreement provides that the Parent Company shall supply to SCPC and SCPC shall purchase from the Parent Company minimum volume of 1,100,000 metric tons +/- 10% up to the maximum quantity of 2,400,000 MT of coal. The contract ended on June 30, 2011. On December 22, 2011, the Parent Company 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. The coal sales and other related party expenses incurred and receivable from SCPC are both included in receivables under "Trade receivables - related parties" in the Parent Company's statements of financial position (see Note 5).

   Customers' deposit is lodged in trade and other payables under "Trade payables - suppliers and contractors" in the Parent Company's statements of financial position (see Note 12).

   The Parent Company has receivables from SCPC in relation to transfer of materials and shared expenses which are lodged in "Trade receivables - related parties" in the Parent Company's statements of financial position (see Note 5).

b. Due from SCI is composed of materials issuances, contracted services, licenses and permit fees and other operating expenses initially paid by the Parent Company. The aggregate amount is included in receivables under "Trade receivables - related parties" in the Parent Company's statements of financial position (see Note 5).

c. Due from SLPGC and SIPDI pertains to various expenses incurred which are initially paid by the Parent Company. The amount is included in receivables under "Trade receivables - related parties" in the Parent Company's statements of financial position (see Note 5).

d. Due from SBPGC, SRPGC and SEUI pertains to business permit fees, notarial fees and documentary stamp taxes incurred which are initially paid by the Parent Company. The amount is included in receivables under "Trade receivables - related parties" in the Parent Company's statements of financial position (see Note 5).

e. Due from DMCI Power Corporation (DMCI-PC) pertains to materials issuances, contracted services and various services provided by the Parent Company. All outstanding balances from DMCI-PC are included in receivables under "Trade receivables - related parties" in the Parent Company's statements of financial position (see Note 5).

f. Due from DMCI Mining Corporation (DMCI-MC) pertains to the contracted services incurred by DMCI-MC, which are initially paid by the Parent Company. All outstanding balances from DMCI-MC are included in receivables under "Trade receivables - related parties" in the Parent Company's statements of financial position (see Note 5).

g. Due from DMCI Masbate Power Corporation (DMCI-MPC) pertains to the security contracted services incurred which are initially paid by the Parent Company. The outstanding balance from DMCI-MPC is included in receivables under "Trade receivables - related parties" in the Parent Company's statements of financial position (see Note 5).

h. Dacon Corporation, a shareholder of DMCI-HI, provided maintenance of the Parent Company's accounting system, Navision, to which related expenses are included in operating expenses under "Office expenses" in the Parent Company's statements of comprehensive income (see Note 21).

All outstanding balances to Dacon Corporation are included in Trade and Other Payables under "Trade payables - related parties" in the Parent Company's statements of financial position (see Note 12).

D.M. Consunji, Inc. (DMCI) had transactions with the Parent Company representing rentals of office, building and equipments and other transactions such as transfer of equipment, hauling and retrofitting services. The related expenses are included in cost of sales under "Outside services" in the Parent Company's statements of comprehensive income (see Note 20).

The Parent Company engaged the services of DMCI for the construction of its 1 x 15 MW Power Plant located at Semirara Island to which the related cost are capitalized as part of property, plant and equipment in the Parent Company's statements of financial position. The Parent Company also engaged the service of DMCI for the construction of various projects in compliance with its Corporate Social Responsibility (CSR) such as the mine rehabilitation, construction of covered tennis courts, track and field, perimeter fence and others to which related expenses are included in cost of sales "Outside services" in the Parent Company's statements of comprehensive income (see Note 20). All outstanding balances to DMCI are lodged in trade and other payables under "Trade payables - related parties" in the Parent Company's statements of financial position (see Note 12).

DMCI-PDI provides realty projects to the Parent Company. The outstanding balance is lodged in trade and other payables under "Trade payable to related parties" in the Parent Company's statements of financial position (see Note 12).

i. DMC-Construction Equipment Resources, Inc. (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 Parent Company's statements of comprehensive income (see Note 20).

   DMC-CERI also provides to the Parent Company marine vessels for use in the delivery of coal to its various customers on cases where Parent Company's fleet is not enough. 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 Parent Company's statements of comprehensive income (see Note 20).

   Furthermore, DMC-CERI provides to 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 Parent Company's 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.

The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension liabilities for the defined benefit plan are shown below:

	2014	2013
Discount rate	**5.67%**	5.07%
Salary increase rate	**3.00%**	3.00%

The following table summarizes the components of pension expense in the Parent Company's statements of comprehensive income:

	2014	2013
Current service cost	**₱10,567,847**	₱9,625,087
Interest expense related to defined benefit liability	**4,790,838**	4,722,795
Interest income related to plan assets	**(3,547,507)**	(3,008,719)
	₱11,811,178	₱11,339,163

The above pension expense is included in operating expenses under "Personnel costs" in the Parent Company's statements of comprehensive income (see Note 21).

The following tables provide analyses of the movement in the net asset (liability) recognized on Parent Company's statements of financial position:

	2014	2013
Defined benefit liability at beginning of year	**₱94,493,838**	₱100,699,245
Current service cost	**10,567,847**	9,625,087
Interest expense	**4,790,838**	4,722,795
Remeasurement of defined benefit liability:		
Arising from changes in financial assumptions	**(2,702,508)**	(1,389,451)
Experience gains (losses)	**16,068,934**	(12,532,526)
Benefits paid from book reserve	**(9,821,873)**	(6,631,312)
Benefits paid from plan assets	**(4,840,440)**	–
Defined benefit liability at end of year	**₱108,556,636**	₱94,493,838
Fair value of plan assets at beginning of year	**₱72,390,771**	₱64,151,770
Return on plan assets (excluding amounts included in interest income)	**(2,113,300)**	5,230,282
Interest income	**3,547,507**	3,008,719
Benefit payments	**(4,840,440)**	–
Fair value of plan assets at end of year	**₱68,984,538**	₱72,390,771
Net defined liability at beginning of year	**₱22,103,067**	₱36,547,475
Net periodic pension cost	**11,811,178**	11,339,163
Amounts recognized in other comprehensive income	**15,479,726**	(19,152,259)
Employer contributions	–	–
Benefit payments	**(9,821,873)**	(6,631,312)
Net defined liability at end of year	**₱39,572,098**	₱22,103,067

The Parent Company does not expect any contribution into the pension fund in 2014.
The composition and fair value of plan assets as at the end of reporting date are as follow:

	2014	2013
Cash and cash equivalents	**₱779,525**	₱8,067,400
Equity instruments		
Financial institutions	**5,042,770**	–
Debt instruments		
Government securities	**44,860,645**	56,597,922
Not rated debt securities	**11,899,833**	6,664,858
Interest receivable	**6,401,765**	1,060,591
Fair value of plan assets	**₱68,984,538**	₱72,390,771

Trust fee in 2014 and 2013 amounted to ₱35,387 and ₱35,878, respectively.

The composition of the fair value of the Fund includes:

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

Cash and cash equivalents - include savings and time deposit with affiliated bank 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

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 Parent Company'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 Parent Company's current strategic investment strategy consists of 88% of debt instruments, 11% cash and 1% 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:

	2014		2013	
	Increase (decrease)	**Net defined benefit liability**	Increase (decrease)	Net defined benefit liability
Discount rates	**+1%**	**(₱4,141,125)**	+1%	(₱3,403,863)
	-1%	**4,603,180**	-1%	3,780,201
Future salary increases	**+1%**	**4,028,911**	+1%	3,297,841
	-1%	**(3,703,374)**	-1%	(3,037,658)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2014	2013
Less than 1 year	**₱32,146,458**	₱26,914,286
More than 1 year to 5 years	**18,774,851**	19,898,958
More than 5 years to 10 years	**48,207,917**	62,951,470
	₱99,129,226	₱109,764,714

20. Cost of Sales

Cost of coal sales consists of:

	2014	2013
Materials and supplies (Note 6)	**₱4,423,588,735**	₱4,096,280,027
Fuel and lubricants	**3,645,501,102**	3,322,349,656
Outside services (Note 18)	**1,239,414,602**	1,001,789,433
Depreciation and amortization (Notes 9 and 11)	**1,154,687,302**	1,509,285,132
Direct labor (Note 18)	**691,424,399**	680,117,940
Production overhead (Note 18)	**495,896,751**	504,857,041
Cost of coal	**11,650,512,891**	11,114,679,229
Hauling and shiploading costs (Note 18)	**580,891,857**	617,887,364
	₱12,231,404,748	₱11,732,566,593

21. Operating Expenses

	2014	2013
Government share (Note 26)	**₱1,858,189,613**	₱1,304,961,185
Personnel costs	**208,041,307**	154,240,164
Office expenses (Note 18)	**88,059,110**	57,871,886
Depreciation (Note 9)	**24,362,614**	28,020,386
Professional fees	**32,957,011**	58,556,801
Transportation and travel	**17,130,525**	19,523,784
Entertainment, amusement and recreation	**16,302,304**	11,807,992
Taxes and licenses	**7,937,809**	48,055,560
Provision for doubtful accounts (Note 5)	**–**	29,743,263
Loss on disposal of property, plant and equipment	**–**	2,100,416
	₱2,252,980,293	₱1,714,881,437

Office expenses include rental, utilities, repairs and other administrative expenses.

22. Finance Costs

	2014	2013
Interest on:		
Long-term debt (Note 14)	**₱53,571,160**	₱81,581,761
Short-term loans (Note 13)	**26,173,810**	34,529,637
Accretion of cost of decommissioning and site rehabilitation (Note 15)	**6,745,841**	–
Bank charges	**33,447,334**	36,516,406
	₱119,938,145	₱152,627,804

23. Finance Income

	2014	2013
Interest on (Note 4):		
Cash in banks	**₱2,128,110**	₱1,491,750
Cash equivalents	**13,330,361**	397,481
	₱15,458,471	₱1,889,231

24. Other Income

	2014	2013
Recoveries from insurance claims	**₱82,552,158**	₱10,632,170
Gain on sale of equipment (Note 9)	**336,750**	135,073
Reversal of allowance for impairment losses (Note 11)	–	61,549,364
Miscellaneous	**9,122,503**	5,586,167
	₱92,011,411	₱77,902,774

Recoveries from insurance claims
Recoveries from insurance claims pertain to the amount reimbursable from insurer on insured equipment.

Miscellaneous
Miscellaneous income is derived from selling excess electricity produced by the Parent Company to the neighboring communities.

25. Income Tax

The provision for (benefit from) income tax consists of:

	2014	2013
Final	**₱3,012,375**	₱265,043
Deferred	**78,498,713**	(131,717,381)
	₱81,511,088	(₱131,452,338)

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in the Parent Company's statements of comprehensive income follows:

	2014	2013
Statutory income tax rate	**30.00%**	30.00%
Adjustments for:		
Changes in unrecognized deferred taxes	**18.66**	19.29
Nondeductible expense	**0.00**	0.10
Tax-exempt income	**(47.62)**	(51.91)
Interest income subjected to final tax at a lower rate - net of nondeductible interest expense	**(0.00)**	(0.01)
Effective income tax rate	**1.04%**	(2.53%)

The Parent Company has the following net deferred tax assets as of December 31, 2014 and 2013:

	2014	2013
Unrealized foreign exchange loss	**₱16,330,527**	₱91,779,812
Allowance for inventory obsolescence	**13,575,918**	17,222,137
Allowance for doubtful accounts	**10,667,588**	10,667,589
Allowance for impairment losses	**7,792,467**	7,792,467
Pension expense	**12,960,513**	7,719,803
	₱61,327,013	₱135,181,808

The movements in net deferred tax asset for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
January 1	**₱135,181,808**	₱9,210,105
Charged to profit or loss	**(78,498,713)**	131,717,381
Charged to other comprehensive income	**4,643,918**	(5,745,678)
	₱61,327,013	₱135,181,808

The Parent Company has not recognized deferred tax assets on net operating loss carry over (NOLCO) from the following periods:

Year Incurred	Amount	Expiry Year
2014	₱4,878,525,474	2017
2013	3,440,456,777	2016
2012	3,143,525,120	2015
	₱11,462,507,371	

Board of Investments (BOI) Incentives
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. 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 is expected to lapse 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 ₱2.69 billion and ₱1.48 billion in 2014 and 2013, respectively.

26. 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 the Parent Company on April 7, 1980. On July 27, 1977, Presidential Decree (PD) 972 was amended by PD 1174 thereby: (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, which grants 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, which grants 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 ₱1.86 billion and ₱1.30 billion for the years ended December 31, 2014 and 2013, respectively, included under "Operating expenses" in the Parent Company statements of comprehensive income (see Note 21). The liabilities, amounting to ₱1.13 billion and ₱0.88 billion are included under the "Trade and other payables" account in the Parent Company's statements of financial position (see Note 12).

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.

27. Contingencies and Commitments

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, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of pending assessments.

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:

	2014	2013
Within one year	**₱27,428,345**	₱25,592,039
After one year but not more than five years	**65,727,740**	88,144,709
After five years	**5,011,376**	5,011,376
	₱98,167,461	₱118,748,124

28. Financial Risk Management Objectives and Policies

The Parent Company has various financial assets such as cash and cash equivalents, receivables and environmental guarantee fund, which arise directly from operations.

The Parent Company'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 Parent Company's operations.

The main risks arising from the Parent Company'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 Parent Company's statements of comprehensive income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as of December 31, 2014 and 2013.

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 Parent Company can charge for its coal is directly and indirectly related to the price of coal in the world coal market. In addition, as the Parent Company 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 Parent Company'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 Parent Company 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 Parent Company's profits.

To mitigate this risk, the Parent Company 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 export). Also, in order to mitigate any negative impact resulting from price changes, it is the Parent Company'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 rates).

Below are the details of the Parent Company's coal sales to the domestic market and to the export market (as a percentage of total coal sales volume):

	2014	2013
Domestic market	**39.95%**	56.31%
Export market	**60.04%**	43.69%

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 Parent Company as of December 31, 2014 and 2013 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 2014 and 2013.

	Effect on income before income tax	
Change in coal price	**2014**	2013
Based on ending coal inventory		
Increase by 22% in 2014 and 42% in 2013	**₱316,564,503**	₱1,022,494,329
Decrease by 22% in 2014 and 42% in 2013	**(316,564,503)**	(1,022,494,329)
Based on coal sales volume		
Increase by 22% in 2014 and 42% in 2013	**8,008,029,855**	5,643,685,176
Decrease by 22% in 2014 and 42% in 2013	**(8,008,029,855)**	(5,643,685,176)

Interest rate risk
The Parent Company's exposure to the risk of changes in market interest rates relates primarily to the Parent Company's long-term debts with floating interest rates. The Parent Company's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Parent Company'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 Parent Company'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:

2014

	Interest	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Carrying Value
Cash and cash equivalents	**1.38% to 2.75%**	**₱1,884,036,724**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,884,036,724**
Foreign short-term debt at floating rate							
$31.95 million loans (USD)	**Floating rate**	**₱1,218,753,398**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,218,753,398**
Foreign long-term debt at floating rate							
$32.7 million loan (USD)	**Floating rate, aggregate of the margin (1.20%) and LIBOR, to be repriced every 90 to 180 days**	**210,184,000**	**1,252,160,000**	**–**	**–**	**–**	**1,462,344,000**
$33.73 million loan (USD)	**Floating rate to be repriced every 90 days**	**–**	**1,508,529,164**	**–**	**–**	**–**	**1,508,529,164**
$10.61 million loan (USD)	**Floating rate payable quarterly and in arrears, to be repriced every 90 days**	**–**	**474,345,624**	**–**	**–**	**–**	**474,345,624**
$9.31 million loan (USD)	**Floating rate to be repriced every 90 days**	**–**	**416,331,636**	**–**	**–**	**–**	**416,331,636**
$1.6 million loan (USD)	**Floating rate**	**–**	**72,181,951**	**–**	**–**	**–**	**72,181,951**
Total long-term debt		**210,184,000**	**3,723,548,375**	**–**	**–**	**–**	**3,933,732,375**
Total debt		**₱1,428,937,398**	**₱3,723,548,375**	**₱–**	**₱–**	**₱–**	**₱5,152,485,773**

2013

	Interest	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Carrying Value
Cash and cash equivalents	1.40% to 1.50%	₱1,703,561,000	₱–	₱–	₱–	₱–	₱1,703,561,000
Foreign short-term debt at floating rate							
$37.28 million loans (USD)	Floating rate	₱1,655,079,934	₱–	₱–	₱–	₱–	₱1,655,079,934
Foreign long-term debt at floating rate							
$7.70 million loan (USD)	Floating rate payable quarterly and in arrears, to be repriced every 90 days	–	341,682,734	–	–	–	341,682,734
$61.79 million loan (USD)	Floating rate to be repriced every 90 days	529,409,895	716,335,443	1,497,565,889	–	–	2,743,311,227
$35.00 million loan (USD)	Floating rate, aggregate of the margin (1.20%) and LIBOR, to be repriced every 90 to 180 days	102,108,980	208,656,837	1,243,059,908	–	–	1,553,825,725
$3.42 million loan (USD)	Floating rate	–	151,877,882	–	–	–	151,877,882
Total long-term debt		631,518,875	1,418,552,896	2,740,625,797	–	–	4,790,697,568
Total debt		₱2,286,598,809	₱1,418,552,896	₱2,740,625,797	₱–	₱–	₱6,445,777,502

The following table demonstrates the sensitivity of the Parent Company's income before tax to a reasonably possible change in interest rates on December 31, 2014 and 2013, with all variables held constant, through the impact on floating rate borrowings.

	Effect on Income Before Tax	
Basis points (in thousands)	**2014**	2013
+100	**(₱39,337)**	(₱47,907)
-100	**39,337**	47,907

The assumed movement in basis points for interest rate sensitivity analysis is based on the Parent Company's historical changes in market interest rates on bank loans.

There was no other 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 Parent Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Parent Company'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 sufficiently funded through cash collections. A significant part of the Parent Company's financial assets that are held to meet the cash outflows include cash and cash equivalents and receivables. Although receivables are contractually collectible on a short-term basis, the Parent Company expects continuous cash inflows through continuous production and sale of coal. In addition, although the Parent Company's short-term investments 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 Parent Company 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 Parent Company 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 Parent Company's financial assets and financial liabilities as of December 31, 2014 and 2013 based on undiscounted contractual payments.

	2014					
	Less than 6 months	6-12 months	1-2 years	2-3 years	More than 3 years	Total
Assets:						
Cash in bank and cash equivalents	₱1,884,036,724	₱–	₱–	₱–	₱–	₱1,884,036,724
Receivables:						
Trade:						
Outside parties	1,459,743,314	23,833,921	–	–	–	1,483,577,235
Related parties	307,486,593	2,996,365,099	–	–	–	3,303,851,692
Others*	11,526,510	–	–	–	–	11,526,510
Environmental guarantee fund	–	–	–	–	1,500,000	1,500,000
	₱3,662,793,141	₱3,020,199,020	₱–	₱–	₱1,500,000	₱6,684,492,161
Liabilities:						
Trade and other payables:						
Trade:						
Payable to suppliers and contractors	₱3,679,276,702	₱–	₱–	₱–	₱–	₱3,679,276,702
Related parties	1,076,131,422	–	–	–	–	1,076,131,422
Accrued expenses and other payables**	518,206,774	–	–	–	–	518,206,774
Short-term loans	1,059,641,521	169,229,846	–	–	–	1,228,871,367
Long-term debt at floating rate:						
\$32.7 million loan (USD) with interest payable in arrears	105,845,956	105,845,956	1,288,093,236	–	–	1,499,785,148
\$33.73 million loan (USD) with interest payable in arrears	–	–	1,558,760,165	–	–	1,558,760,165
\$10.61 million loan (USD) with interest payable in arrears	–	–	488,919,419	–	–	488,919,419
\$9.31 million loan (USD) with interest payable in arrears	–	–	429,187,938	–	–	429,187,938
\$1.6 million loan (USD) with interest payable in arrears	–	–	74,398,103	–	–	74,398,103
	6,439,102,375	275,075,802	3,839,358,861	–	–	10,553,537,038
	(₱2,776,309,234)	₱2,745,123,218	(₱3,839,358,861)	₱–	₱1,500,000	(₱3,869,044,877)

**excludes advances for liquidation.*
***excludes statutory liabilities*

	2013					
	Less than 6 months	6-12 months	1-2 years	2-3 years	More than 3 years	Total
Assets:						
Cash in bank and cash equivalents	₱1,703,561,415	₱–	₱–	₱–	₱–	₱1,703,561,415
Receivables:						
Trade:						
Outside parties	1,041,576,807	–	–	–	–	1,041,576,807
Related parties	1,213,605,171	–	–	–	–	1,213,605,171
Others*	6,670,922	–	–	–	–	6,670,922
Environmental guarantee fund	–	–	–	–	1,500,000	1,500,000
	3,965,414,315	–	–	–	1,500,000	3,966,914,315
Liabilities:						
Trade and other payables:						
Trade:						
Payable to suppliers and contractors	2,660,927,471	–	–	–	–	2,660,927,471
Related parties	597,043,568	–	–	–	–	597,043,568
Accrued expenses and other payables**	138,322,124	–	–	–	–	138,322,124
Short-term loans	1,655,079,934	–	–	–	–	1,655,079,934
Long-term debt at floating rate:						
$7.70 million loan (USD) with interest payable in arrears	1,756,419	1,756,419	345,195,455	–	–	348,708,293
$61.79 million loan (USD) with interest payable in arrears	17,139,530	546,549,905	743,999,781	1,516,278,852	–	2,823,968,068
$35.00 million loan (USD) with interest payable in arrears	9,322,950	111,431,450	226,077,098	1,257,976,720	–	1,604,808,218
$3.42 million loan (USD) with interest payable in arrears	1,260,873	1,260,873	154,399,338	–	–	156,921,084
	5,080,852,869	660,998,647	1,469,671,672	2,774,255,572	–	9,985,778,760
	(₱1,115,438,554)	(₱660,998,647)	(₱1,469,671,672)	(₱2,774,255,572)	₱1,500,000	(₱6,018,864,445)

**excludes advances for liquidation.*
***excludes statutory liabilities*

Foreign Currency Risk
Majority of revenues are generated in Peso, however, substantially all of capital expenditures pertaining to purchase of machineries abroad are in US$.

The Parent Company manages this risk by matching receipts and payments in the same currency and monitoring. Approximately, 59.02% and 44.57% of the Parent Company's sales in 2014 and 2013, respectively, were denominated in US$ whereas approximately 51.47% and 66.49% of the debts as of December 31, 2014 and 2013, respectively, were denominated in US$.

Information on the Parent Company's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents follow:

	December 31, 2014		December 31, 2013	
	U.S. Dollar	**Peso Equivalent**	U.S. Dollar	Peso Equivalent
Assets:				
Cash and cash equivalents	**$24,519,922**	**₱1,096,530,912**	$18,246,176	₱810,038,965
Trade receivables	**15,024,717**	**671,905,344**	10,654,649	473,013,142
Liabilities:				
Trade payables	**(20,291,547)**	**(907,437,999)**	(21,816,839)	(968,558,569)
Short-term loans	**(27,252,983)**	**(1,218,753,400)**	(32,367,091)	(1,436,937,001)
Long-term debt (including current portion)	**(87,963,604)**	**(3,933,732,371)**	(107,910,746)	(4,790,697,569)
Net foreign currency denominated liabilities	**($95,963,495)**	**(₱4,291,487,514)**	($133,193,851)	(₱5,913,141,032)

The spot exchange rates used were ₱44.72 to $1 in 2014 and ₱44.40 to $1 in 2013, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Parent Company's income before tax (due to changes in the fair value of monetary assets and liabilities) on December 31, 2014 and 2013.

Reasonably possible change in foreign exchange rate for every two units of Philippine Peso	Increase (decrease) in income before tax **2014**	2013
₱2	**(₱191,926,990)**	(₱266,387,702)
(₱2)	**191,926,990**	266,387,702

There is no impact on the Parent Company's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on fluctuations in dollar average exchange rates.

The Parent Company recognized ₱61.85 million and ₱463.94 million foreign exchange loss (net) for the years ended December 31, 2014 and 2013, respectively, arising from the translation of the Parent Company's cash and cash equivalents, trade receivables, trade payables, short-term loans and long-term debt.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Parent Company manages and controls credit risk by doing business with recognized, creditworthy third parties, thus, there is no requirement for collateral. It is the Parent Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Parent Company 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 to the Parent Company's approval, hence, mitigating the risk on collection. In addition, receivable balances are monitored on an ongoing basis with the result that the Parent Company's exposure to bad debts is not significant. The Parent Company 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 Parent Company'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 Parent Company, which comprise cash and cash equivalents, receivables and environmental guarantee 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 Parent Company does not hold any collateral or other credit enhancement that will mitigate credit risk exposure. The Parent Company 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:

	2014	2013
Trade receivables - outside parties	**31.26%**	46.36%
Trade receivables - related parties	**68.25**	52.51
Others	**0.49**	1.13
Total	**100.00%**	100.00%

As of December 31, 2014 and 2013, the credit quality per class of financial assets is as follows:

	2014				
	Neither Past Due nor Impaired		**Substandard**	**Past due and/or Individually**	
	Grade A	**Grade B**	**Grade**	**Impaired**	**Total**
Cash and cash equivalents	**₱1,884,036,724**	**₱–**	**₱–**	**₱–**	**₱1,884,036,724**
Receivables:					
Trade receivables - outside parties	**1,010,800,863**	**–**	**–**	**502,519,635**	**1,513,320,498**
Trade receivables - related parties	**3,303,851,692**	**–**	**–**	**–**	**3,303,851,692**
Others	**11,526,510**	**–**	**–**	**5,815,359**	**17,341,869**
Environmental guarantee fund	**1,500,000**	**–**	**–**	**–**	**1,500,000**
Total	**₱6,211,715,789**	**₱–**	**₱–**	**₱508,334,994**	**₱6,720,050,783**

	2013				
	Neither Past Due nor Impaired		Substandard	Past due and/or Individually	
	Grade A	Grade B	Grade	Impaired	Total
Cash and cash equivalents	₱1,703,561,415	₱–	₱–	₱–	₱1,703,561,415
Receivables:					
Trade receivables - outside parties	776,627,583	–	–	294,692,487	1,071,320,070
Trade receivables - related parties	1,098,294,222	115,310,949	–	–	1,213,605,171
Others	6,670,922	–	–	5,815,359	12,486,281
Environmental guarantee fund	1,500,000	–	–	–	1,500,000
Total	₱3,586,654,142	₱115,310,949	₱–	₱300,507,846	₱4,002,472,937

Cash 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 receivables - related parties are considered Grade A due to the Parent Company'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 accounts are considered to be of high credit rating value and are secured with coal supply agreements. 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 the Parent Company's collection efforts and update their payments accordingly. The Parent Company determines financial assets as impaired when probability of recoverability is remote evidenced by the counterparty's financial difficulty.

Substandard grade are accounts which have probability of impairment based on historical trend or customer's current unfavorable operating conditions. Accounts under this group show possible future loss to the Parent Company as a result of default in payment of the counterparty despite of the regular follow-up actions and extended payment terms.

In the Parent Company's assessment, there are no financial assets that will fall under this category due to the following reasons:

- Local sales - transactions were entered with reputable and creditworthy companies.
- Export sales - covered by irrevocable letter of credit at sight from a reputable bank acceptable to the Parent Company.

As of December 31, 2014 and 2013, the aging analyses of the Parent Company's past due and/or impaired receivables are as follows:

	2014			
	Past Due but not Impaired		**Impaired Financial Assets**	
	<45 days	**45-135 days**		**Total**
Receivables:				
Trade receivables - outside parties	**₱246,986,070**	**₱225,790,302**	**₱29,743,263**	**₱502,519,635**
Others	**–**	**–**	**5,815,359**	**5,815,359**
Total	**₱246,986,070**	**₱225,790,302**	**₱35,558,622**	**₱508,334,994**

	2013			
	Past Due but not Impaired		Impaired Financial Assets	
	<45 days	45-135 days		Total
Receivables:				
Trade receivables - outside parties	₱205,773,956	₱59,175,268	₱29,743,263	₱294,692,487
Others	–	–	5,815,359	5,815,359
Total	₱205,773,956	₱59,175,268	₱35,558,622	₱300,507,846

Capital Management
The primary objective of the Parent Company'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 Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company 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 Parent Company manages its capital using Debt-to-Equity ratio, which is interest-bearing loans divided by equity. The following table shows the Parent Company's capital ratios as of December 31, 2014 and 2013:

	2014	2013
Interest-bearing loans	**₱5,152,485,773**	₱6,445,777,502
Total equity	**18,243,831,661**	14,763,448,980
Debt-to-Equity ratio	**28.24%**	43.66%

The aggressive expansion and investment strategies of the Parent Company resulted to higher Debt-to-Equity ratios in 2014 and 2013. The Debt-to-Equity ratio is carefully matched with the strength of the Parent Company's financial position, such that when a good opportunity presents itself, the Parent Company can afford further leverage.

The following table shows the component of the Parent Company's capital as of December 31, 2014 and 2013.

	2014	2013
Total paid-up capital	**₱7,744,277,411**	₱7,031,777,411
Remeasurement losses on pension plan	**(15,844,921)**	(5,059,113)
Retained earnings - unappropriated	**8,215,449,171**	5,436,730,682
Retained earnings - appropriated	**2,300,000,000**	2,300,000,000
	₱18,243,881,661	₱14,763,448,980

29. 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, 2014 and 2013, interest rate ranges from 1.44% to 1.66% and from 1.00% to 3.00%, respectively.

Fair Value Hierarchy
The Parent Company 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, 2014 and 2013, the Parent Company does not have financial instruments measured at fair value.

30. Segment Information

The Parent Company is engaged in surface open cut mining of thermal coal and is managed by the Chief Operating Decision Maker (CODM) as a single business unit. The CODM monitors the operating results of the Parent Company for the purpose of making decisions about resource allocation and performance assessment. The Parent Company performance is evaluated based on revenue and net income before tax which are measured similarly as in the Parent Company financial statements.

Geographic Information
The financial information about the operations of the Parent Company as of December 31, 2014 and 2013 reviewed by the management follows:

	2014	2013
Export coal sales	**₱11,351,660,886**	₱7,286,180,834
Local coal sales	**7,554,770,621**	9,391,240,910
Revenue	**₱18,906,431,507**	₱16,677,421,744
Income before income tax	**₱7,847,729,577**	₱5,193,200,179

Substantially all revenues from external customers are from open cut mining and sales of thermal coal. Local and export classification above is based on the location of the customer.

Customers on the export sales are significantly to China while customers on the local sales are significantly to SCPC.

The following information presents the operating assets and liabilities of the Parent Company as of December 31, 2014 and 2013:

	2014			
	Mining	**Power Generation**	**Other**	**Total**
Segment assets	**₱14,642,099,103**	**₱–**	**₱–**	**₱14,642,099,103**
Investments in subsidiaries	**–**	**15,309,375,000**	**5,000,000**	**15,314,375,000**
	₱14,642,099,103	**₱15,309,375,000**	**₱5,000,000**	**₱29,956,474,103**

	2014 Mining	Power Generation	Other	Total
Segment liabilities	₱7,840,237,079	₱–	₱–	₱7,840,237,079
Long-term debt	3,933,732,375	–	–	3,933,732,375
	₱11,773,969,454	₱–	₱–	₱11,773,969,454
Cash flows arising from (used in):				
Operating activities	₱7,141,090,797	₱–	₱–	₱7,141,090,797
Investing activities	(1,336,220,851)	–	–	(1,336,220,851)
Financing activities	(5,622,726,818)	–	–	(5,622,726,818)
Other disclosures				
Capital expenditures	₱1,462,339,688	₱–	₱–	₱
Provision for inventory obsolescence	(12,154,064)	–	–	–

	2013 Mining	Power Generation	Other	Total
Segment assets	₱12,363,064,898	₱–	₱–	₱12,363,064,898
Investments in subsidiaries	–	13,240,194,852	2,500,000	13,242,694,852
	₱12,363,064,898	₱13,240,194,852	₱2,500,000	₱25,605,759,750
Segment liabilities	₱6,186,795,010	₱–	₱–	₱6,186,795,010
Long-term debt	4,790,697,568	–	–	4,790,697,568
	₱10,977,492,578	₱–	₱–	₱10,977,492,578
Cash flows arising from (used in):				
Operating activities	₱5,959,276,120	₱–	₱–	₱5,959,276,120
Investing activities	(1,613,237,533)	–	–	(1,613,237,533)
Financing activities	(3,056,365,716)	–	–	(3,056,365,716)
Other disclosures				
Capital expenditures	₱1,880,310,937	₱–	₱–	₱1,880,310,937
Provision for doubtful accounts	29,743,263	–	–	29,743,263
Provision for inventory obsolescence	4,120,497	–	–	4,120,497
Reversal of allowance for impairment losses	(61,549,364)	–	–	(61,549,364)

1. Segment assets exclude deferred tax assets amounting to ₱61.33 million and ₱135.18 million in 2014 and 2013, respectively.
2. Capital expenditures consist of additions of property, plant and equipment.
3. All noncurrent assets other than financial instruments are located in the Philippines.
4. Other pertains to SCI and SIPDI. SCI was incorporated on November 29, 2012. Its line of business is manufacturing structural nonrefractory clay and ceramic products. SIPDI was incorporated on April 24, 2011. Its line of business is to acquire, develop and construct infrastructures.