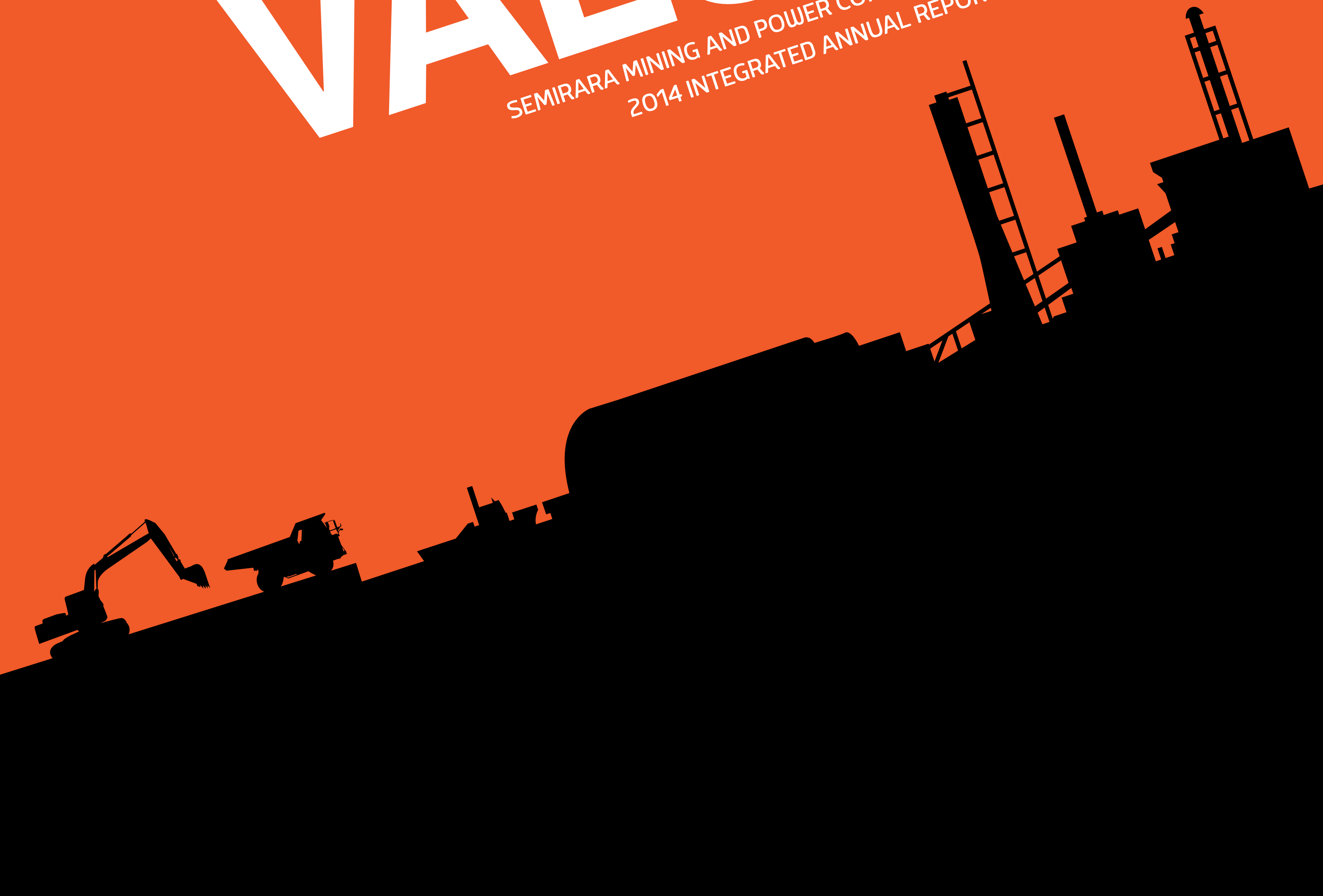
TOWARDS GREATER VALUE

SEMIRARA MINING AND POWER CORPORATION
2014 INTEGRATED ANNUAL REPORT



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TOWARDS GREATER VALUE

Our journey towards greater value began with the forward integration of our coal mining operations to power generation. This move allowed us to maximize the value of our coal resources and deliver affordable electricity to millions of Filipinos.

As we continue with our journey, we commit to further improve our operations so we can deliver greater results to our host communities, public sector partners, customers, shareholders and other growth allies.

HIGHLIGHTS

SHAREHOLDERS

Consolidated Revenues

+5%

Higher coal production and sales raised consolidated revenues by 5% to PhP28.59 billion

Net Income

-9%

Consolidated net income declined 9% due to the extended outage of Sem-Calaca power unit 2

Stock Dividend

200%

On top of cash dividends, a 200% stock dividend was declared

CUSTOMERS

Coal Sales

+16%

From 7.63 million metric tons (MT), coal sales reached 8.89 million MT

Energy Generated

2,840

GWh

Generated energy dropped 22% from 3,638 GWh in 2013

EMPLOYEES

24/7

Monitoring of wall movement at the mine pit

Training Hours

60,000+

Hours

Total employee workforce training hours exceeded 60,000

GOVERNMENT

Government Royalties

₱ 1.86B

Royalties due to the national government, province, municipality and barangay reached PhP1.86 billion

HOST COMMUNITIES

Jobs

1,442

Number of mine site workers from Semirara, Caluya and Panay

Graduates

942

Local residents who graduated from Semirara Training Center, Inc. since 2006

ENVIRONMENT

Giant Clams

85,975

Current population of giant clams in Semirara Island

Trees Planted

+3M

Total number of trees planted since year 2000

FROM DEPOSIT TO CUSTOMER

Semirara Mining and Power Corporation is the largest coal producer in the Philippines, and the only power producer in the country that owns and mines its own fuel source (coal). We have an installed capacity of 600MW, with an additional 1,200MW in the pipeline.

By integrating our coal mining activities and power operations, we have created a value chain that enables us to transform low-value input into high-value output.

1 Exploration and Development

The location, volume and quality of coal deposits are determined by conducting geological investigation, geodetic survey and sub-surface exploration.

Based on the available information, the Company decides if deposits could be safely and economically recovered.

VALUE PROPOSITION

Semirara Island in Antique has the largest coal deposit in the Philippines.

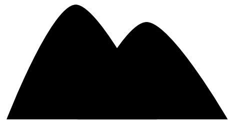
2 Extraction

Large machines remove the overburden (top soil and rock layers) to expose the coal seam.

The coal deposit is then extracted using large excavators. This process is called open pit mining or strip mining.

VALUE PROPOSITION

We operate the largest and most modern open pit mine in the Philippines. Our truck and shovel operations can produce 8 million metric tons of coal a year.



3 Stockpiling

Extracted coal is loaded directly into trucks for hauling to the stockpiles. Stockpiling helps stabilize coal supply.

VALUE PROPOSITION

Prolonged or improper storage could lead to deterioration of coal quality. To help minimize product deterioration, we have stringent guidelines on stockpile size, time and storage conditions.

4 Processing

From the stockpile, the coal goes on a conveyor belt to a washing plant located at the mine site. The plant cleans and processes coal to remove other rocks, as well as dirt, ash, sulfur, and other unwanted materials.

VALUE PROPOSITION

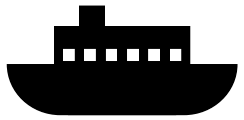
Around 80% of our run of mine coal is clean coal while the remaining 20% is washable coal. Our coal washing plant has an average recovery of 65%.

5 Rehabilitation

Site rehabilitation involves the restoration of the mined-out land to its natural state. This is done through the strict, research-based revegetation and regeneration of natural ecosystems.

VALUE PROPOSITION

We follow a "rehabilitate-while-we-mine" principle to create structurally stable landform around our current mine site, while preparing the area for productive use in the future.

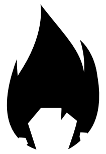


6 Shipping

Coal is transported to customers by barge and bulk carriers. The supply is delivered to local power producers, cement manufacturers, foreign clients and our Company's coal-fired power plants.

VALUE PROPOSITION

We are the only independent power producer in the Philippines that owns and mines its own fuel source.

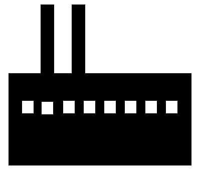


7 Combustion

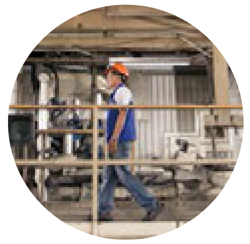
Coal is grinded to a fine powder and blown into the boiler. Grinding increases the coal's surface area, which helps it burn faster and hotter, producing as much heat with as little waste as possible. Burning coal also produces ash and exhaust gases.

VALUE PROPOSITION

We remove, collect and sell the ash from the boiler to industrial customers, who use it as an ingredient for building materials like concrete and hollow blocks.



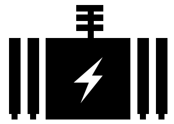
8 Generation



Powdered coal is burned inside boilers to produce steam, which passes through a turbine. The rapidly spinning turbine powers a generator that turns mechanical energy into electric energy.

VALUE PROPOSITION

We have an installed power generation capacity of 600MW, with an additional 1200MW in the pipeline. With power demand in the country steadily increasing, greater value is expected to come from our power units in the coming years.



9 Delivery

The power plants deliver electricity using transformers, which increase the electricity voltage according to the distance it must travel and the amount required by the power distribution companies.

VALUE PROPOSITION

By forward integrating coal mining to power generation, we are able to supply affordable, reliable electricity to millions of customers.

HOW WE CREATE VALUE

WHAT WE DO

We envision an energy-sufficient Philippines, where even ordinary citizens can have access to adequate, reliable and affordable electricity; where businesses of any size can attain higher levels of productivity; and where domestic industries can sustain their growth.

Towards this end, we harnessed our engineering competencies and found ways to extract, process and burn coal in a continually efficient and responsible manner.

In the coming years, we see our role in nation-building evolving towards power generation.

Using our significant coal reserves, we can reduce the country's dependence on imported fuel and produce more electricity for the growing economy.

WHY WE DO IT

Our mission is to promote the use of coal as a major energy source.

We believe that coal can be a stable platform for achieving energy sufficiency and inclusive growth because it is the cheapest and most reliable fuel source in the Philippines.

To maintain our leadership position in the domestic coal mining industry, we will:

- play a vital role in the energy sector and work in harmony with the government to promote the use of coal;
- supply our customers with quality coal that meets their stringent specifications;
- provide reasonable economic returns to our investors and business partners;
- empower our employees to prosper in a climate of integrity and excellence; and
- work in partnership with our host communities to improve their sustainability while engaging in the judicious use and rational conservation of the country's natural resources.

WHERE WE DO IT

Our coal mine site is located on Semirara Island in Caluya, Antique. The island has the highest coal resource potential at 570 million MT, or 24% of the total known coal resource potential in the Philippines.

Our coal-fired thermal power plants are located at Brgy. San Rafael in Calaca, Batangas. Primarily designed to run as base load plants, the facility consists of two 300MW generating units. Projects for expanding our power generation capacity are also underway.

HOW WE OPERATE

We operate according to three strategic pillars:

Cost-efficiency

- Using a mine software, we are able to implement a coal extraction plan that helps lower our fuel and equipment maintenance costs.
- Regular technical improvements and equipment upgrades improve the performance of our power-generating units.
- Our plant and mobile information management system gives our employees easier access to timely, reliable and vital business information.

Financial strength

- Stable financial condition and prudent cash management gives us the flexibility to undertake capital expenditures for high-value projects.
- Our strong liquidity position allows us to consistently pay out cash dividends that exceed our dividend policy of 20% of the preceding year's net income.

Sustainability

- We comply with all applicable laws, regulations and requirements of the government.
- We have a Good Governance program that clearly outlines the required framework, conduct, standards, policies and processes for making and implementing key decisions within our organization.

WHAT GUIDES US

In fulfilling our vision and goals, we are guided by the following values:

- Teamwork
- Excellence
- Loyalty
- Integrity
- Commitment
- Professionalism

HOW WE MEASURE OURSELVES

We periodically report our operating and financial performance to the Board of Directors, who measure both against a balanced scorecard that charts our key performance indicators (KPIs). Some of these KPIs include profitability, growth, liquidity, return on equity, production efficiency, among others.

Expansion activities and business development programs are likewise presented during Management, Audit Committee and Board meetings.

BOARD OF DIRECTORS

David M. Consunji
Chairman Emeritus
Non-Executive Director

Isidro A. Consunji
Chairman of the Board
Executive Director

Victor A. Consunji
Vice-Chairman
Executive Director

Jorge A. Consunji
Non-Executive Director

Herbert M. Consunji
Non-Executive Director

Ma. Edwina C. Laperal
Non-Executive Director

Cesar A. Buenaventura
Non-Executive Director

Ma. Cristina C. Gotianun
Executive Director

George G. San Pedro
Executive Director

Victor C. Macalincag
Independent Director
Non-Executive Director

Rogelio M. Murga
Independent Director
Non-Executive Director

MANAGEMENT COMMITTEE

1
Isidro A. Consunji
Chief Executive Officer

2
Victor A. Consunji
President and Chief Operating Officer

3
George G. San Pedro
Vice President, Operations and Resident Manager

4
Ma. Cristina C. Gotianun
Executive Vice President

5
Junalina S. Tabor
Vice President, Chief Finance Officer

6
Jaime B. Garcia
Vice President, Procurement and Logistics

7
Antonio R. delos Santos
Vice President, Treasury

8
Jose Anthony T. Villanueva
Vice President, Marketing

9
Atty. John R. Sadullo
Vice President, Legal and Corporate Secretary

10
Nena D. Arenas
Vice President, Chief Governance Officer and Compliance Officer

11
Sharade E. Padilla
Assistant Vice President, Investor and Banking Relations

POWER PLANT OFFICERS

1
Brian Vincent Lawrence
Vice President
Power Plant Management
SEM-Calaca Power Corporation

2
Denel C. Mateo
Assistant Vice President
Plant Management
DMCI Power Corporation

3
Andreo O. Estrellado
Assistant Vice President
Marketing
SEM-Calaca Power Corporation

4
Edgardo S. Lagman
Assistant Vice President
Facilities
SEM-Calaca Power Corporation

5
Freddie S. Delmendo
Assistant Vice President
Procurement and Logistics
SEM-Calaca Power Corporation

KEY CONSULTANTS

1
Barry Charles Lewis
Mine Management

2
Peter Tink
Mining Operations

3
Rodolfo C. Salazar
Organizational Development

OTHER OFFICERS

Semirara Mining and Power Corporation

Teresita B. Alvarez
Consultant, ICT

Leandro D. Costales
Comptroller

Mark V. Evangelista
Purchasing Manager

Antonio C. Jayme
Consultant, Group Accounts Audit

Carla Cristina T. Levina
Internal Audit Manager

Ernesto P. Paculan
Logistics Manager

Karmine Andrea B. San Juan
Internal Audit Manager

Mary Anne L. Tripon
Administration and General Services Manager

Melinda V. Reyes
Risk and Insurance Officer

Rachelle Belle F. Santos
Human Resources Officer

Joanne Marie C. Gotianun
Operations Officer, Claystone

Leng Piew Eng
Consultant, Claystone

SEM-Calaca Power Corporation

Marcella D. Ellao
OIC-Comptroller

Randee M. Delos Santos
Accounting Manager

Christopher Thomas C. Gotianun
Plant Reliability Officer

Southwest Luzon Power Generation Corporation

Charlie V. Robles
Plant Manager

Noel N. Salamat
Operations Manager

Gil D. Enamno
Maintenance Manager

Rene N. Cordero
Technical Services Manager

Salvador M. Salire, Jr.
Business Development Manager

Josephine G. Olarte
Finance & Accounting Manager

Hope D. Picson
Human Resources Manager

Edgar C. Mariano
Inventory/Materials Control Manager

MINE SITE MANAGEMENT

1st row (left to right):
1. Agustin D. Gonzales - Head, Shipping, 2. Henry G. Candog - Consultant - Mobile, 3. Edna A. Gayondato - Head, Analytical Laboratory, 4. George G. San Pedro - VP-Operations/Resident Manager, 5.Jessica T. Saulong - Accounting Manager, 6. Ruben P. Lozada - Asst. Resident Manager, 7. Jose Leo S. Valdemar - Head, Power Plant

2nd row (left to right):
1. Leandro D. Costales, Jr - Comptroller, 2. Oscar F. Razon, Jr. - Head - Materials Management & Materials Control, 3. Leto T. Macli-ing, Jr. - Head, Mine Truck and Shovel Operations, 4. Napoleon T. Trillanes, Jr. - Manager, Organizational Development, 5. Rodante Q. Molina - Head, Mechanical Services Department 6. Mark Louis L. Bentayo - Head, Product Dept., 7. Mark C. Munar - OIC, Civil Works, 8. Jerry O. Celo - Head, Electrical Dept.

Not in Photo
1. Vicente Cesar V. Malig - Asst. Admin Division Manager, 2. Juniper A. Barroquillo - Admin Division Manager, 3. Mario V. Sadural - Head, Mine Planning Department, 4. Elson J. Crisologo - Head, Geology, 5. Gerry M. Marcellana - HR Manager, 6. Magno V. Villaflores -Internal Audit Manager - Operations 7. Rene C. Gonzales - Head, Mobile Maintenance, 8. Arnel P. Jadormio - Head, Safety, 9. Redemptor D. Macaraan - Head, Technical Training and Special Projects

POWER MANAGEMENT

From left to right:
1. Estela D. Balbago - Plant HRAD Manager, 2. Fe B. Torrefranca - Principal Engineer A, Chemical Operations, 3. Oscar Q. Querubin - Head, Plant Engineering 4. Randy C. Torres - Head, Instrumentation and Control, 5. Constantino B. Tumbaga - Head, Mechanical Maintenance, 6. Bernard I. Carpio - Planning and Scheduling Superintendent, 7. Procopio T. Panuncillon, Jr. - Superintendent, Electrical Maintenance, 8. Ronaldo A. Endaya - Plant Superintendent, Main Plant Operations, 9. Jovenal M. Lafuente - Maintenance Manager, 10. Valnario S. Leyba - Operations Manager, 11. Denel C. Mateo - VP and Plant Manager, SCPC 12. Brian V. Lawrence - Vice President, Power Plant Management, 13. Frederico S. Delmedo - AVP, Procurement, 14. Edgardo S. Lagman - AVP, Facilities Calaca Complex, 15. Florante S. San Pedro - Sr. Security Officer, 16. Pedro R. De Padua, Jr. - Principal Engineer A, Environmental, 17. Sixto R. Lopez - Community Relations Officer, 18. Marcela D. Ellao - Controller, 19. Ramon T. Miranda - Materials Control Manager

MESSAGE FROM THE CHAIRMAN EMERITUS

David M. Consunji
Chairman Emeritus

BE FUNDAMENTALLY DRIVEN.

Our acquisition of Semirara Coal Corporation (SCC) in 1997 was a defining moment for the DMCI Group.

The operational inefficiencies and capital inadequacy of SCC challenged our Group financially, technically and even mentally.

But because of the collective efforts of our people and the strong support of our investors and shareholders, SCC was able to rise above itself to become a well-regarded publicly-listed company in the Philippines.

Equally important, SCC successfully transitioned into a power producer, with an incomparable value proposition.

This year, SCC became Semirara Mining and Power Corporation (SMPC)–the only vertically integrated coal energy company in the country.

It is at this key juncture that I have chosen to step back from the management frontlines of the Company, and give way to a leadership transition.

Isidro A. Consunji will be Chairman of the Board, while Victor A Consunji will serve as Vice Chairman. Meanwhile, I will continue to perform an advisory function as Chairman Emeritus.

I believe that these Board changes could not have come at a better time because SMPC is well positioned to generate even greater value for its stakeholders. Its fundamentals are strong. Its strategic direction is clear. And its human capital base is resilient.

I confidently entrust the leadership of SMPC to its directors and employees, with the hope that they will always bear these words in mind:

BE FUNDAMENTALLY DRIVEN. LOVE YOUR WORK BECAUSE IT IS YOUR WORK THAT WILL TEACH YOU. IF YOU DO NOT LOVE YOUR WORK, YOU WILL NOT HAVE THE ATTENTIVENESS, THE RESOURCEFULNESS, AND THE PATIENCE TO DO THINGS BETTER.

With great honor and sincerity, I extend my gratitude to our customers, partners, officers and employees. Thank you for your loyalty and continued support.

Let us continue to drive the value of our Company.

SEMIRARA MINING AND POWER CORPORATION IS THE ONLY VERTICALLY INTEGRATED COAL ENERGY COMPANY IN THE COUNTRY.

LETTER FROM THE CHAIRMAN AND CEO

Isidro A. Consunji
Chairman and CEO

WE WERE ABLE TO CREATE AND DELIVER SHAREHOLDER VALUE BECAUSE OF OUR CLEAR STRATEGIC PLAN, STRONG FUNDAMENTALS AND ACTIVE STAKEHOLDER ENGAGEMENTS.

MY FELLOW SHAREHOLDERS,

Over the last five years, we have taken our Company on a remarkable growth trajectory. We were able to create and deliver shareholder value because of our clear strategic plan, strong fundamentals and active stakeholder engagements.

In 2014, however, we experienced a dip in our profitability and closed the year with financial results that were lower than expected.

Consolidated Net Income After Tax dipped by 9% to PhP6.9 billion from PhP7.5 billion in 2013. This brought earnings per share down by 20% to PhP6.42 from PhP7.04.

The income decline was due mainly to the reduced operations of our power segment and significant losses on our replacement power purchases, which were partially countered by the stellar performance of our coal segment.

Protracted Shutdown

The protracted shutdown of one of the power units of our subsidiary SEM-Calaca Power Corporation (SCPC) significantly reduced our total generating capacity and exposed us to high replacement power costs. From a historic high of 3,638 GWh in 2013, it dropped 22% to 2,840 GWh.

Total generated power fell short of our contracted energy, prompting us to source electricity from the Wholesale Electricity Spot Market (WESM). Sustained losses on replacement power procured from WESM reached PhP2.1 billion, inflating our cost of energy sold per Kwh by 47% to PhP2.76 from PhP1.88 last year.

Exceptional Performance

The coal segment delivered an exceptional performance in 2014, yielding almost 8 million metric tons (MT) of Total Product Coal (TPC). This is our highest coal production to date.

Improved mine site productivity likewise facilitated a 16% increase in our coal sales, from 7.63 million MT in 2013 to 8.89 million MT the following year. I am proud to report that this is the highest recorded sale in the history of the Company.

Despite the decline in global coal prices, the higher calorific value of our coal provided a premium on our export price, partially offsetting the dent in coal prices.

WE DERIVED VALUABLE LESSONS FROM OUR EXPERIENCES IN 2014, AND THE WEAKNESSES WE UNCOVERED CAN ONLY MAKE US BETTER PROFESSIONALS MOVING FORWARD.

Strong Shareholder Commitment
Since 2005, we have consistently exceeded our dividend policy of 20% of the preceding year's NIAT. This year was no different.

Despite our weak earnings in 2014, we declared and paid cash dividends amounting to PhP4.28 billion. This is a testament to our sound financial position and commitment to a strong dividend policy.

In addition to cash dividends, the Board of Directors declared 200% stock dividends or two common shares for every one common share held. This is the first time in our corporate history that such dividends were granted to shareholders since our capital restructuring in 2004.

The Board approval was made on 6 March 2014, and actual issuance or payment to all shareholders was completed on 24 September 2014.

Refocused Strategy
We derived valuable lessons from our experiences in 2014, and the weaknesses we uncovered can only make us better professionals moving forward.

We are committed to addressing the disappointing results of our power segment by refocusing our management strategy and applying stricter controls over our projects and processes.

The backstory to our success has always been our people, and we will continue to depend on their ability to effectively manage our operations.

Now that we have a firmer handle on the execution risks that come with building new power plants, we are more confident in our ability to steer our Company towards greater value.

Board Changes
After leading our Company to remarkable growth, our Founding Chairman, David M. Consunji was elected Chairman Emeritus on 11 November 2014. As Chairman Emeritus, he will continue to provide strategic counsel to the Board.

The Directors, officers and employees of the Company only have the highest respect and gratitude for our Chairman Emeritus and his principled leadership.

As part of our Company's leadership transition phase, I was elected Chairman of the Board on the same date. I thank the Board for their trust, and commit to upholding the values and principles set by our Founding Chairman.

It is with sadness that we report the passing of our Independent Director, Mr. Federico R. Puno, on 11 October 2014. An esteemed member of our Board, he possessed immeasurable knowledge in operations, corporate governance, finance and strategy. We will always be grateful for his service and contributions to our Company.

Engr. Rogelio M. Murga was elected on 11 November 2014, to serve the unexpired term of Mr. Puno. A former President of the National Power Corporation, Engr. Murga brings with him decades of experience and knowledge in power operations, engineering and construction.

Positioning for Greater Value
To reflect the emerging importance of power to our business, we changed our corporate name to Semirara Mining and Power Corporation in 2014.

We are also investing heavily in our power segment because we believe in its ability to drive our Company's growth, as we have seen this happen in the last five years. From PhP14 billion in 2009, our market capitalization increased tenfold to PhP152 billion at the close of 2014.

With Unit 2 running at its full capacity of 300 MW and our 2x150 expansion project under Southwest Luzon Power Generation Corporation (SLPGC) nearing completion, we expect to deliver more reliable power to the Luzon grid by the second half of 2015.

The coal segment will continue to be the foundation of our business, providing not just fuel but financial muscle and synergy across the organization.

In itself, our coal operations is likewise positioned to generate greater value for our Company because of the operational efficiencies and cost management measures we instituted over the years.

In Closing
The year 2014 was full of challenges and dramatic changes for our Company. We would not have surpassed all these without the support and confidence of our shareholders, Board of Directors, Management, Staff, host communities and other stakeholders.

While the end results fell short of our expectations, I continue to believe in the soundness of our integrated business model.

Our balance sheet is strong, and our leverage ratios continue to show our Company's financial soundness. The Debt-to-Equity ratio at 1.29x is far below the generally acceptable standard of 2:1.

With our united efforts, we can unlock the catalytic power of coal, achieve energy sufficiency for the Philippines and deliver sustainable value to our stakeholders.

STATEMENT FROM THE PRESIDENT AND COO

Victor A. Consunji
President and COO

DEAR VALUED SHAREHOLDERS,

After over 25 years of experience, the Company has achieved the expertise in operating an open cast mine. We gained the skills and competence in operating world-class mining equipment, such as 300-ton excavators and 100-ton rigid frame dump trucks. We also remain as the dominant player in the Philippine coal mining industry, operating on the biggest coal deposit of the country.

We have transformed our engineering competencies in coal mining to operations and maintenance of coal power plants. This transformation, along with other programs, has expanded our power generating capacities and created more value to the Company.

Operational Transformation

We capitalize in our cost and operational efficiency to optimize the opportunities, leading to our strong market performance. Coal sales volume grew 16% to 8.89 million metric tons (MT), a record high from 7.63 million MTs in 2013.

Strip ratio in Panian remained at a normal level of 9.44:1 this year. Total product coal increased by 5% to 7.96 million metric tons (MTs) from 7.57 million MTs. More development and some advance stripping at Bobog mine were done during the year.

PMRC-compliant Reserve Report as of December 2014 was completed, accounting for 69.74 million MT of maximum recoverable coal in Bobog mine, an average of 90%.

Meanwhile, the currently active Panian mine has 17.43 million MT remaining reserves, and Himalian mine has estimated reserves of 81.57 million MT. As of December 31, 2014, the total mineable reserves in the island stand at 168.74 million MT. We continue to exert more efforts in our exploration programs to ensure that the fuel supply of our future investments in coal-fired power plants will meet the rising power demand of the growing Philippine economy.

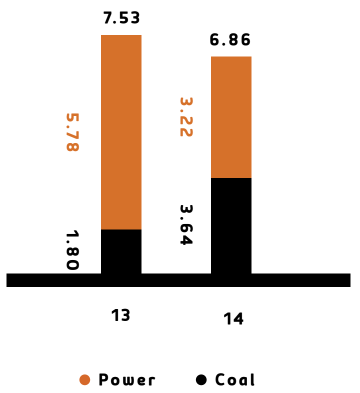
Our forward integration from coal mining to the operations and maintenance of coal-fired power plants challenged and honed our technical competencies. After acquiring the under-performing 2x300MW pulverized coal-fired power plants in Calaca, Batangas in 2009, we have invested on capital equipment and on major operational maintenance to achieve the level of performance we have now.

In 2014, however, we fell short on our total gross generation as it dropped 22% to 2,840 GWh from 3,638 GWh in 2013, as a result of the prolonged maintenance shutdown of Unit 2 in the first half of the year.

Unit 2 average capacity dropped 4% to 259MW from 272MW in 2013. Although capacity factor dipped to 43% from 75% in 2013, it notably improved to 92% in Q4 2014 from the 27% average in the first three quarters of the year.

WE HAVE TRANSFORMED OUR ENGINEERING COMPETENCIES IN COAL MINING TO OPERATIONS AND MAINTENANCE OF COAL POWER PLANTS.

Consolidated Net Income After Tax



Business Highlights

We ended the year with lower-than-expected results, reporting a 9% decline in our Consolidated Net Income After Tax from PhP 7.53 billion in 2013 to PhP6.86 billion this year.

Despite, our reduced overall profitability, our financial position remains strong and capable of supporting future growth.

In 2014, we achieved a robust profit margin of 24% because of our cost efficiency.

Our total consolidated cash generated from operations stood at PhP12.20 billion. After debt service, cash dividend payment and capital expenditures for the coal and power segments, our cash balance at end of the year closed at PhP3.68 billion.

We continually strengthen our business processes through the conformance of our coal mining activities with internationally-recognized standards on Integrated Management System.

In July 2014, our operating power subsidiary Sem-Calaca Power Corporation was likewise certified as conforming to the requirements of ISO 9001: 2008 on Quality Management System.

Forward Integration

We are optimistic about our prospects in 2015 and onwards with the 2x300MW in full operation and the coming on-stream of our 2x150MW CFB power plants starting second quarter of 2015.
We anticipate top-line growth to come to track in 2015 with the normalization of Sem-Calaca Power Units 1 and 2, and completion of our power expansion project under Southwest Luzon Power Generation Corporation (SLPGC). This year the 2x150MW will start contributing revenue from the sale of power from new power supply agreements.

Meanwhile, our core business - coal mining - shall continue its initiatives to aggressively engage in exploration activities to secure the future coal requirements of our power projects, in addition to the requirements of our third-party local customers. The coal segment will remain to be a strong core business. We will continue to deploy our resources and tap mining technologies to make our coal extraction and support activities more productive and cost-efficient.

TODAY, SEMIRARA MINING AND POWER CORPORATION IS A MUCH STRONGER ORGANIZATION IN TERMS OF SHAREHOLDER VALUE AND MARKET CAPITALIZATION.

Sustained CSR Efforts

We recognize the impacts of our business on the environment and commit to managing them in a responsible manner. By using advanced mining technology and engineering, we can integrate social development and environmental protection with superior business performance.

The power segment is more focused in supporting education and skills training of locals through its various training programs, such as pipefitting, construction, shielded metal arc welding, and mechatronics, among others. We also help in building school infrastructures, and sponsor trainings of teachers.

We stand committed to take care of the community we are working with through our 5Es program (encompassing electrification; education and skills training; environmental protection and preservation; employment and livelihood; and economic empowerment), both in coal and power segments.

Most importantly, the Company has given due attention not only to the economic aspect of its mining operation, but also to the environmental and social dimensions, as shown by its extensive environmental protection and social development programs.

In Closing

I would like to thank our shareholders, government partners, employees, host communities and other stakeholders for your continued trust and support. Your collective contributions enabled our Company to withstand the challenges of vertical integration and expansion.

We are also better-equipped to take our Company further because of our financial discipline, talented workforce and committed growth partners.

Today, Semirara Mining and Power Corporation is a much stronger organization in terms of shareholder value and market capitalization.

Let us continue working together so we can spur growth and sustainable development for our stakeholders.

MANAGEMENT DISCUSSION

Semirara Mining and Power Corporation is committed to supplying quality coal and affordable electricity to our customers. We aim to deliver on these commitments by conducting our business in a manner that is efficient, prudent and sustainable.

This report covers the 2014 Financial Year and provides an overview of our operational and financial performance. The information is intended to assist shareholders, potential investors and other stakeholders in evaluating our performance, prospects, value and growth strategy.

GROUP PROFIT AND LOSS SUMMARY

	2014	2013	% change
Selected Income Statement items (in million PhP)			
Revenues	28,585	27,331	5%
Cost of Sales	18,927	14,110	34%
Gross Profit	9,658	13,221	-27%
Operating Expenses	3,233	5,264	-39%
Net Income Before Tax	6,308	7,402	-15%
Income Tax	-553	118	-569%
Net Income After Tax	6,861	7,519	-9%
Selected Balance Sheet items (in million PhP)			
Total Assets	51,901	44,727	16%
Total Liabilities	29,195	24,600	19%
Stockholders' Equity	22,706	20,128	13%
Key financial ratios			
Gross Profit Margin	34%	48%	-30%
Net Profit Margin	24%	28%	-13%
EBITDA	8,616	11,635	-26%
Earnings Per Share	6.42	7.04	-9%
Current Ratio	1.05	1.48	-29%
Debt/Equity Ratio	1.29	1.22	5%
Return on Assets	13%	17%	-21%
Return on Equity	30%	37%	-19%

Note: 2013 EPS is restated based on post-stock dividend outstanding shares

FINANCIAL SCORECARD

Project execution delays put downward pressure on our overall profitability in 2014, even as our coal segment posted record-high production and sales.

While risks and uncertainties seem to persist in our power segment, we are beginning to see signs of stabilization.

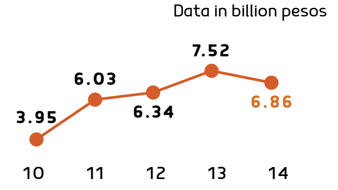
As a whole, the upside potential of our power investments remains significant, and we expect their contributions to continually grow in the coming years.

Key Performance Indicator 1: Grow Income

1

Target:
Deliver income growth by investing in power

Outcome:
Net Income After Tax (NIAT) has been steadily increasing since the acquired Calaca power plant started contributing to the Group profitability in 2010. However, it dropped 9% in 2014 due to the prolonged shutdown of Power Unit 2 while undergoing upgrade. NIAT average annual growth rate stands at 15%.

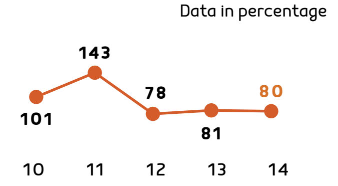


Key Performance Indicator 2: Generate Attractive Dividend Yield

2

Target:
Strong dividend payout

Outcome:
Dividend payout ratio based on the parent NIAT has been consistently higher than the Company policy of 20% of previous year's earnings.

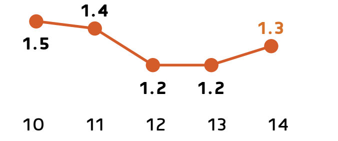


Key Performance Indicator 3: Exercise Financial Prudence

3

Target:
Maintain DE Ratio at less than 2:1, in keeping with our conservative view towards financial leverage

Outcome:
Low DE Ratio gives us more leeway in making investment decisions, while enjoying preferential interest rates in our borrowings as creditors give premium to low credit risk.

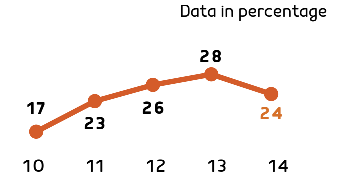


Key Performance Indicator 4: Achieve Strong Margins

4

Target:
Healthy profit margins

Outcome:
Although Net Profit Margin decreased 4 percentage points in 2014, it is still high at 24%. We record robust margins due to the cost-control measures we implemented.

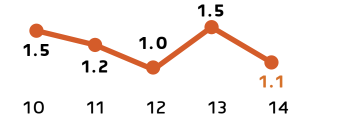


Key Performance Indicator 5: Maintain High Liquidity

5

Target:
Keep Current Ratio to at least 1.

Outcome:
Despite funding 40% of our power expansion project from internal cash generation, and paying PhP4.3B of cash dividends during the year, we maintain Current Ratio at more than 1:1.



OPERATING PERFORMANCE

WE OPERATE IN TWO INDUSTRIES THAT ENTAIL SIGNIFICANT RISKS BUT HIGH MULTIPLIER VALUES.

TO GROW OUR BUSINESS AND CREATE LONG-TERM STAKEHOLDER VALUE, WE PRIORITIZE COST EFFICIENCY AND SUSTAINABILITY THROUGHOUT OUR COAL AND POWER OPERATIONS.

In 2014, we continued to reap the rewards of our investments in our coal segment. Improved operational efficiency brought our production and sales volumes to historically high levels.

Meanwhile, technical difficulties and project delays reduced the generating capacity of our power segment. High replacement power purchases, lower spot market sales and declining average price for bilateral contracts also reduced the segment's profitability.

COAL

Production

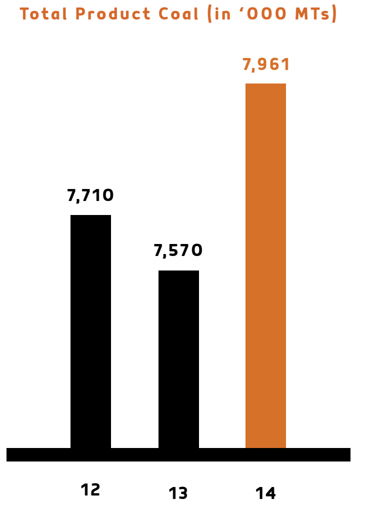
Our mine software allows faster processing of mine data and information, for producing short-term and long-term mine plans. With these information, we are able to deploy our opencast mining equipment and extract coal deposits in a cost-efficient manner.

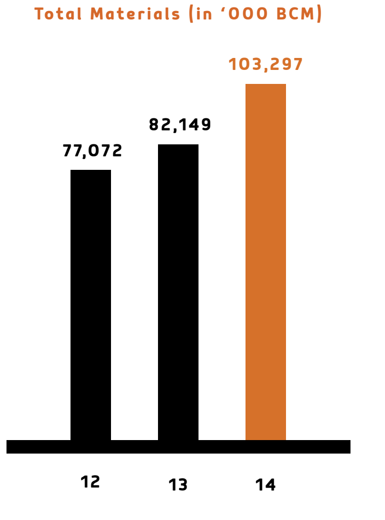
Good weather conditions also allowed us to ramp up our coal extraction and overburden stripping operations, resulting in almost 8 million metric tons (MT) of Total Product Coal in 2014. This, compared to the 7.57 million MT we produced the previous year.

Mining equipment programmed for disposal or retirement were deployed, thus maximizing their economic life and augmenting the mining capacity during the period.

Total materials moved increased by 26% from 82.15 million bank cubic meters (bcm) in 2013, to 103.30 million bcm the following year.

Advance stripping at Bobog pit resulted in a 14% increase in strip ratio to 11.47:1, compared to 9.73:1 the previous year. Over at Panian pit, strip ratio remained at the normal level of 9.44:1.





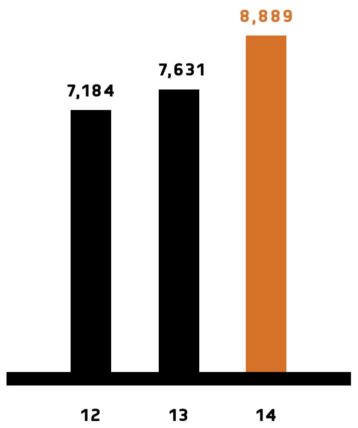
Sales

Softening of global coal prices continued in 2014, as composite average Freight on Board (FOB) price per MT dipped by 3% to PhP2,127 from PhP2,185 the previous year.

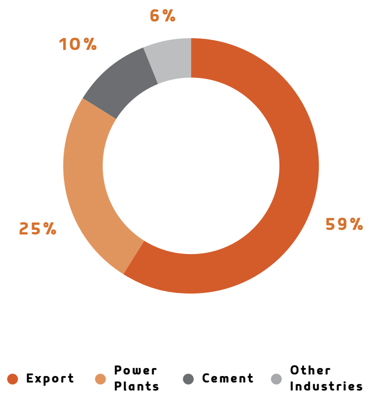
However, higher mine site productivity led to a marked growth in our coal sales. From 7.63 million MT in 2013, we were able to sell 8.89 million MT, which translates to an upsurge of 16%.

Higher sales resulted in lower ending inventory at 386 thousand MT, a 70% reduction from 1.28 million MT in 2013.

Coal Sales Volume (in '000 MTs)



Coal Sales per Customer



Customer Breakdown

Of the total volume sold, majority (59%) or 5.25 million MT went to the foreign coal market.

The rest went to local power plants (25%), cement manufacturers (10%), and other industrial plants (6%).

Export Sales

Coal exports rose 54% to 5.25 MT from 3.40 million MT in 2013.

Our subsidiary, SEM-Calaca Power Corporation (SCPC), encountered technical problems in the last phase of its rehabilitation works for Power Unit 2, which led to a protracted downtime in operations.

To offset their reduced fuel demand, we marketed our coal products to China, Thailand, Cambodia, Taiwan, India and Papua New Guinea.

It is worth noting that despite the decline in global coal prices, the higher energy content or calorific value of our coal provided a premium on our export price, which slightly increased (1%) from PhP2,142/MT in 2013 to PhP2,164/MT the following year.

Local Sales

There was a considerable drop (14%) in our local sales due to the decrease in off-take by our power plant and cement customers. From 4.23 million MT in 2013, our sales narrowed to 3.64 million MT the following year.

Compared to the previous year, sales to power plants decreased by 22% from 2.92 million MTs to 2.27 million MT.

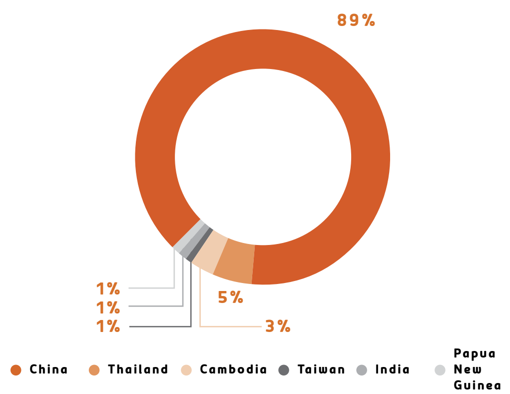
SCPC reduced its off-take by 29% to 1.51 million MT from 2.13 million MT last year, as only Power Unit 1 was operational until 13 June. Power Unit 2 was on maintenance shutdown for the last phase of its rehabilitation, which started at the end of 2013.

Other customers also decreased their purchases since a few of them still had outstanding freight contracts for imported coal.

Sales to cement plants likewise declined by 11% to 875 thousand MT from 980 thousand MT last year. Several cement companies decreased their purchases this year, while another customer slowed down its off-take because one of its plants was under maintenance.

Meanwhile, sales to other industrial plants increased 53% at 501 thousand MT compared to 328 thousand MT last year. Two customers significantly increased their off-take in 2014, as one expanded its plant operations and the other ramped up its sales efforts.

Export Sales per Country



Country	Sales Volume (In million MT)
China	4,687
Thailand	268
Cambodia	153
Taiwan	78
India	55
Papua New Guinea	5
Total	5,246

Exploration and Development

Our Coal Operating Contract with the Philippine Government grants us the right to mine in Semirara Island until 14 June 2027.

We are at varying stages of exploration, planning and development at Bobog pit, West Panian area and Himalian area. All three areas are known to have coal resources.

In 2014, we spent PhP1.57 billion for some advance stripping and mine development.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POWER

Generation

The prolonged shutdown of our Power Unit 2 in the first half of 2014 dragged down our total gross generation by 22%. From a record high of 3,638 gigawatt-hours (GWh) in 2013, it went down to 2,840 GWh the following year.

Total operating hours reached 11,779 hours, which is 19% lower than the 14,538 hours of the previous year.

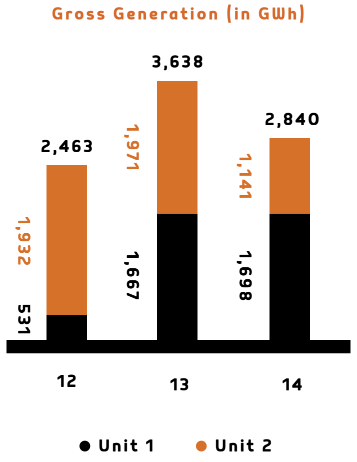
Power Unit 1

In terms of gross generation, capacity factor and average capacity, the performance of Power Unit 1 was slightly higher in 2014 compared to the previous year.

Average capacity of the plant increased to 230 megawatts (MW) compared to 229 MW last year. The unit started slow in the first half of the year, but was able to recover in the second half.

Almost 69% of the forced outages that occured in the second and third quarters of 2014 were due to tube leaks, while slagging accounted for 19% of the total forced outage.

In effect, the unit showed 2% improvement on gross generation and capacity factor, while availability slightly increased by 1% as against the previous year.



Power Unit 2

On 31 December 2013, Power Unit 2 was shut down for maintenance and upgrade of its Distribution Control System (DCS). Both activities were scheduled for completion in 90 days.

However, technical problems surfaced during the installation and fine-tuning of the DCS, resulting in a significant delay in the re-synchronization of the plant to the grid. Unit 2 was eventually re-synchronized on 13 June.

Power generation stabilized in the third quarter, and dependable capacity was restored to its rated capacity near the end of 2014.

As a result of the prolonged shutdown, average capacity dropped 4% to 259 MW from 272 MW last year. During the same period, capacity factor likewise decreased by 42%, from 75% to 43%.

Notably, the capacity factor improved to 92% in fourth quarter of 2014 against 75% during the same period last year, and against lower rates in the first three quarters this year.

Meanwhile, gross generation declined from 1,972 GWh in 2013 to 1,141 GWh the following year, a downswing of 42%.

Sales

There was a slight decline (2%) in the energy sales of SCPC, from 3,460 GWh in 2013 to 3,383 GWh the succeeding year. This was due to the higher forced outage of Unit 1 and the delayed testing and commissioning of the DCS for Unit 2.

Of the total energy sold, 98% or 3,330 GWh were through bilateral contracts while the remaining 2% were traded at the Wholesale Electricity Spot Market (WESM).

From PhP3.79/KWh in 2013, average price for bilateral contracts dropped 6% to PhP3.55/KWh. Newcastle prices, which is the price index of these contracts, has been declining this year.

Of the total energy sold, 78% was sourced from its own generation, while the remaining 22% was purchased from the spot market.

When its power units were down or running at a de-rated capacity, SCPC had to procure power from the spot market during hour intervals in order to supply its committed capacity to some of its customers.

Some of the contracts still cover the supply of replacement power under a "pass-thru" cost arrangement.

SCPC posted markedly lower spot market sales (64%), trading only 53 GWh against 148 GWh the previous year.

Clients

Manila Electric Company (Meralco) remained our single biggest customer, comprising 90% share of the total energy sales of the bilateral contracts. With over five million customer accounts, it is the largest electric distribution utility in the Philippines.

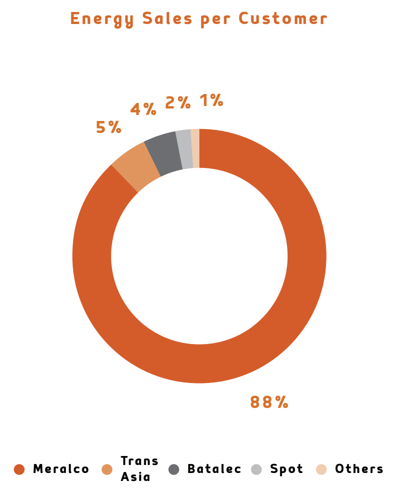
Batangas I Electric Cooperative (Batelec I) and Trans-Asia Oil & Energy Development (TA Oil) comprised 4% and 5%, respectively.

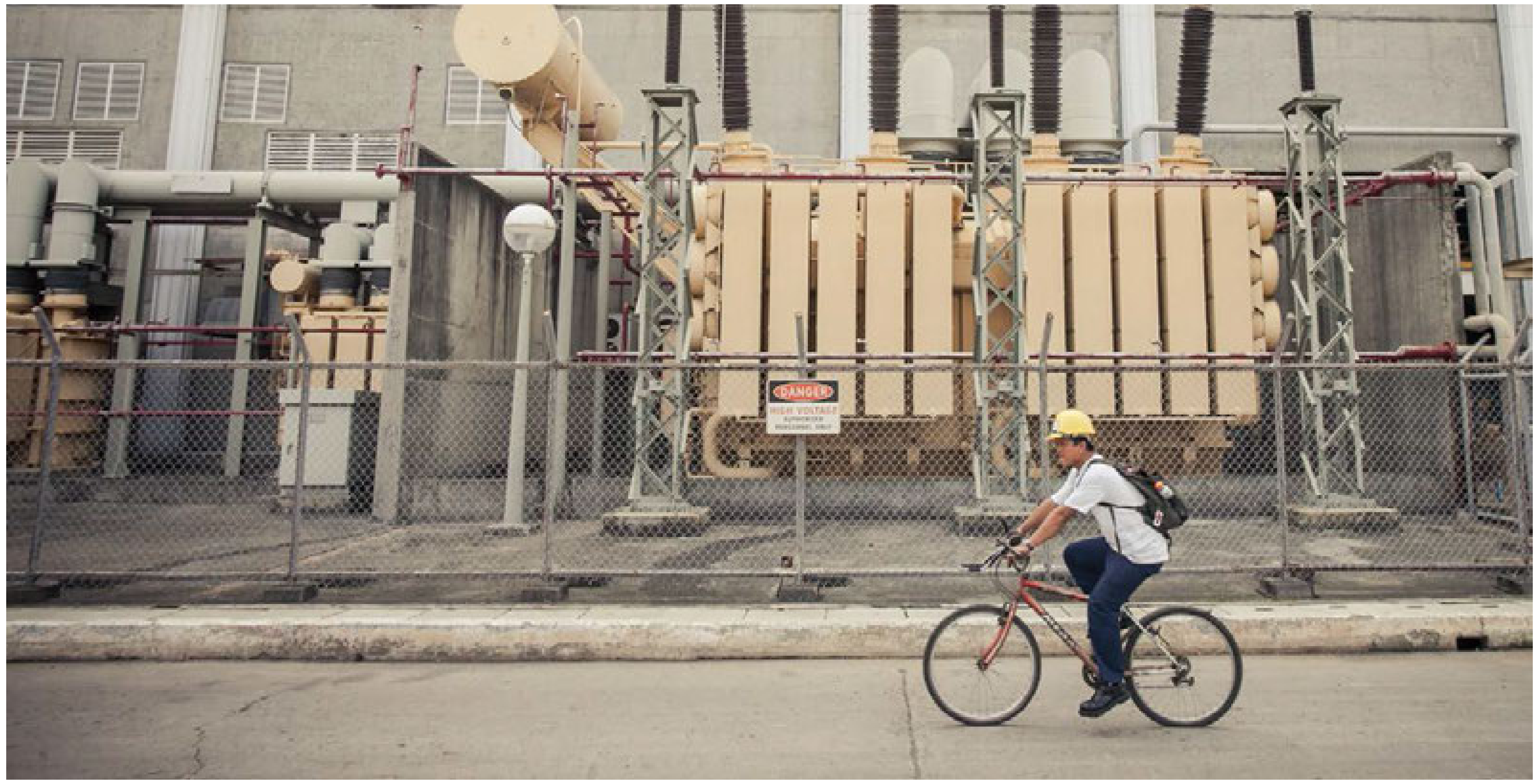
A Category A+ Electric Cooperative, Batelec I has over 146,000 served connections, while TA Oil is a fully diversified enterprise engaged in power generation.

Expansion

Phase I of our 2x150 MW power plant under our wholly-owned subsidiary Southwest Luzon Power Generation Corp. (SLPGC) is nearing its completion. The two power units are expected to operate and start contributing to the Company's earnings by 2015.

We are also in the early stages of our next expansion project in the power segment.





FINANCIAL REVIEW

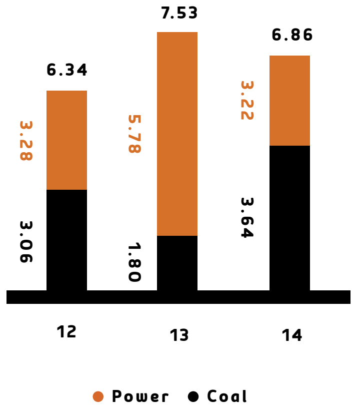
IN CARRYING OUT OUR FORWARD INTEGRATION STRATEGY, WE EMBRACED THE CHALLENGE OF INVESTING IN TWO CAPITAL-INTENSIVE INDUSTRIES.

The results in the last few years have been uneven, but our medium-term growth outlook remains positive.

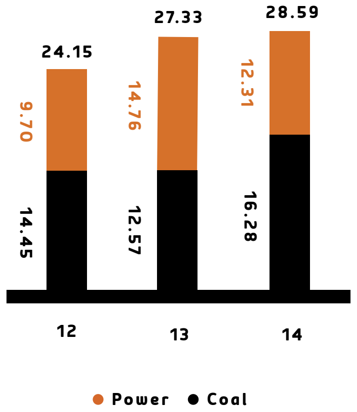
Earnings growth of our coal segment was counterbalanced by the weaker-than-expected results of our power segment. This was converse of what happened in 2013 when our consolidated revenue was boosted by power.

However, with the normalization of Sem-Calaca Power Units 1 and 2 and completion of our power expansion project under Southwest Luzon Power Generation Corp. (SLPGC), we expect both operating segments to deliver steady growth for the Company.

Consolidated Net Income After Tax
(in billion PhP)



Consolidated Revenues
(in billion PhP)



Sales and Profitability

The extended shutdown of power unit two dampened overall profitability and most key financial metrics.

Consolidated Net Income After Tax (NIAT) dropped by 9% to PhP6.86 billion from PhP7.53 billion last year. Net of eliminations, coal generated net income of PhP3.64 billion, while Sem Calaca Power Corporation (SCPC) generated PhP3.24 billion.

Other pre-operating companies incurred a combined net loss of PhP17.51 million.

Consolidated Net Income Before Tax decreased 15% to PhP6.31 billion from PhP7.40 billion in 2013. Both operating business units enjoy Income Tax Holidays as Board of Investments-registered companies.

Consolidated Other Income contracted by more than a quarter (27%) from PhP281.21 million last year to PhP205.49 million.

Majority or 55% of the Consolidated Other Income came from the fly ash sales of SCPC. However, compared to the previous year, its Other Income fell 44% from PhP203.18 million to PhP113.48 million. With one of the power units on shutdown, SCPC did not produce its usual fly ash volume.

The coal segment only contributed PhP92 million to the Consolidated Other Income, which mainly accounted for insurance recoveries.

Consolidated Revenues, net of eliminating entries, slightly improved (5%) from PhP27.33 billion in 2013 to PhP 28.59 billion the following year.

Before elimination, Coal Revenues grew significantly at 13% from PhP 16.68 billion to PhP18.91 billion during the same period. This was due mainly to higher sales volume.

In 2014, revenues of SEM-Calaca Power Corporation (SCPC) dropped 17% to PhP12.31 billion in 2014, compared to PhP 14.76 billion the previous year. This was attributable to the slight drop in energy sales volume and lower 2014 average price per KWh of PhP3.64/KWh against the previous year rate of PhP 4.26/KWh.

Consolidated Cost of Sales went up by 35% to PhP18.93 billion from PhP14.11 billion in 2013.

Despite higher volume sold, growth in Coal Cost of Sales before elimination was minimal at 4%. From PhP11.73 billion, it rose to only PhP12.23 billion, owing to the significant drop in oil prices and our cost-cutting measures.

High coal production also contributed to the decline in cost of coal sold per MT.

Meanwhile, the Cost of Sales of SCPC before elimination surged 44% to PhP9.35 billion from PhP6.51 billion the previous year; and 59% after elimination at PhP7.02 billion from PhP4.42 billion in 2013.

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% to PhP2.76 from PhP1.88 last year.

There was a marked subsidence (39%) in our Consolidated Operating Expenses, falling to PhP3.22 billion from PhP5.26 billion in 2013.

Net of eliminating entries, the coal segment's operating expenses increased by nearly one-third (32%) to PhP2.25 billion from PhP1.71 billion, since higher coal revenues correspondingly increased Government Share by 42% at PHP1.86 billion from PHP1.30 billion last year.

Net Operating Loss Carry Over

SCPC recorded Net Operating Loss Carry Over (NOLCO) for losses incurred in the purchase of replacement power to service bilateral power supply contracts amounting to PhP635.63 million.

As a result, the Company recorded consolidated Benefit from Income Tax of PhP552.87 million, as against last year's net tax benefit of PhP117.84 million. Coal and SLPGC recorded minimal Income Taxes of PhP81.51 million and PHP1.32 million, respectively.

Solvency and Liquidity

In 2014, internal cash generation reached PhP11.93 billion, while consolidated loan availments totaled PhP10.36 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 capital expenditures.

A large portion of our CAPEX (PhP6.84 billion) went to power expansion, while coal and SCPC accounted for PhP1.46 billion and PHP1.11 billion, respectively.

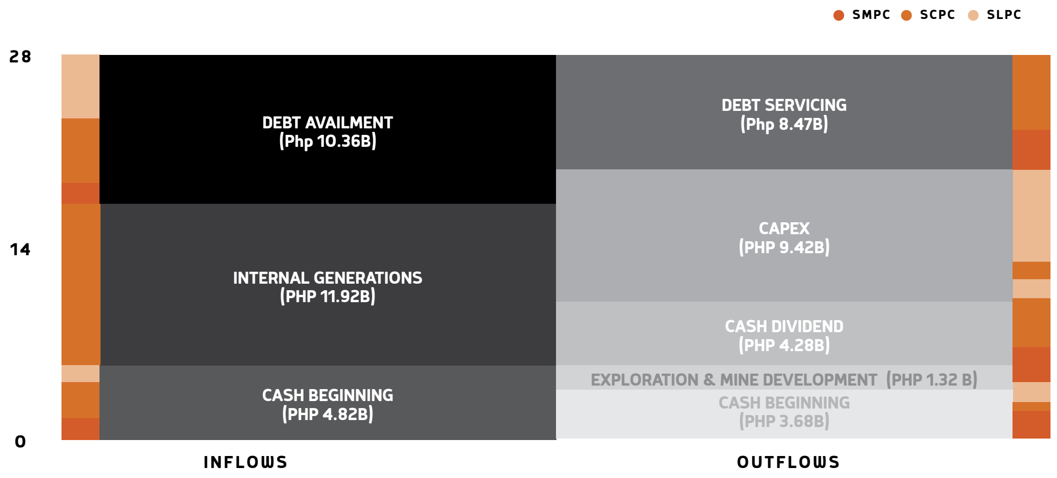
SCPC spent PhP4.18 million to augment its Sinking Fund, while coal expended PhP1.32 billion for exploration. In addition, coal spent PhP3.32 million for computer softwares.

Meanwhile, PhP8.47 billion was used 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.

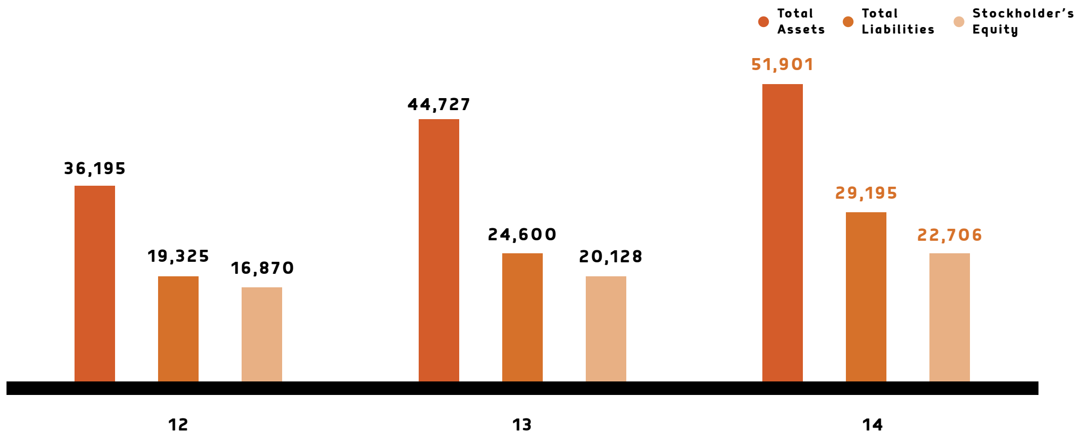
We declared and paid cash dividends during the period, amounting to PhP4.28 billion.

Net decrease in Consolidated Cash during the period amounted to PhP1.14 billion. With a beginning balance of 4.82 billion, consolidated Ending Cash closed at PhP3.68

Cash Generation and Utilization (Consolidated)



Consolidated Balance Sheet (in million PhP)



Assets, Liabilities and Equity

Consolidated Total Assets increased by 16% to PhP51.90 billion, from PhP44.73 billion in 2013. After eliminations, coal and SCPC's Total Assets closed at PhP11.44 billion and PhP20.80 billion, respectively. Meanwhile, total assets of our pre-operating subsidiaries reached PhP19.66 billion.

Capitalization of additional cost of the 2x150MW power plant project and additional 25 units of 100-tonner hauling units for the coal segment accounted for most of the increase in the Total Assets.

Consolidated Total Liabilities increased by nearly one-fifth (19%) during the same period, jumping from PhP24.60 billion to PhP29.20 billion. Coal, SCPC and SLPGC accounted for PhP11.74 billion, PhP5.14 billion, and PhP12.31 billion, respectively.

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, consolidated Stockholders' Equity increased by 13% to PhP22.71 billion from a beginning balance of PhP20.13 billion. Capital Stock likewise increased to PhP1.07 billion due to the stock dividends.

CORPORATE GOVERNANCE

Our corporate governance framework aims to nurture a culture of ethical conduct, optimum performance, transparency and accountability across our organization and subsidiaries.

It reflects a governance framework that governs the performance of our Board of Directors and Management of their respective duties and responsibilities to our stockholders and other stakeholders, which include customers, employees, suppliers, creditors, business partners, government and community where our Company operates.

Our governance framework, Board Committee Charters, Revised Code of Corporate Governance and good governance policies are extensively discussed in our SEC Annual Corporate Governance Report and disclosed in our website: www.semiraramining.com.

This report is presented according to the Principles of Corporate Governance of the Organization for Economic Cooperation and Development (OECD), a global standard for good governance policies and best practices, which we adopt for effectiveness and continual improvement.

Compliance
Securities Reporting
Environment, Health and Safety

Shareholder Rights
Institutional Investors
Voting Rights
Dividend
Other Shareholder Rights
Notice of Annual Shareholders' Meeting
Annual Shareholders' Meeting

Equitable Treatment of Shareholders
Proportionate Voting
Insider Trading
Conflict of Interest
Company Loan
Related Party Transactions
Share Repurchases

Role of Stakeholders
Employees
Customers
Suppliers and Contractors
Creditors
Government
Community and Environment
Commitment to our Stakeholders
Anti-Corruption and Ethics Program
Conflict of Interest Policy
Gift and Entertainment Policy
Whistleblowing
Alternative Dispute Resolution Policy

Disclosure and Transparency
Ownership Transparency
Information Policy
Investor Relations

Responsibilities of the Board
Strategy and Oversight
Vision and Mission
Board's Good Governance Charter and Code of Conduct
Board Structure and Composition
Board Competency and Diversity
Board and Director Development
Chairman and Chief Executive Officer (CEO)
Independent Directors
Board Meetings
Board and Director Development
Corporate Secretary
Director Remuneration
Executive Succession Planning
CEO and COO Performance Evaluation
Board Performance Evaluation
Board Committees and Appraisal
Nomination and Election Committee
Board Nomination, Selection, Appointment and Re-election
Compensation and Remuneration Committee
Audit Committee
Related Party Transaction Oversight
Internal Controls and Risk Oversight
Internal Audit
External Audit

Awards and Recognition

OUR COMMITMENT TO GOOD CORPORATE GOVERNANCE

SEMIRARA MINING AND POWER CORPORATION IS FULLY COMMITTED TO STRONG CORPORATE GOVERNANCE TO PROTECT THE LONG-TERM INTERESTS OF OUR SHAREHOLDERS, THE INVESTING PUBLIC AND OTHER STAKEHOLDERS.

WE CONDUCT OUR BUSINESS IN A MANNER THAT IS CONSISTENT WITH HIGHER STANDARDS OF TRANSPARENCY, FAIRNESS, PERFORMANCE AND ACCOUNTABILITY.

COMPLIANCE

We work closely with regulators to ensure that our policies and processes are aligned with relevant government laws and standards.

To develop a strong compliance mindset among our employees and officers, we conduct periodic dialogues, strict monitoring and regular training sessions on compliance requirements.

Our Board and Management commit to adopt a continuous improvement approach in building a culture of enterprise compliance covering compliance risk assessments, internal controls, business processes, escalation protocols, assurance review and reporting to the Board.

Nature of Company Disclosures

- Board Attendance and Changes
- Quarterly Financial Reports
- Change in Shareholdings of Directors, Principal Officers and Beneficial Owners
- List of Top Stockholders
- Compliance Reports on Corporate Governance

Securities Reporting

Our commitment to strong corporate governance is apparent in our compliance to the regulatory and reportorial requirements of the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

Every year, we report our full compliance to the SEC Revised Code of Corporate Governance (SEC Code), and disclose our level of adoption of the PSE Corporate Governance Guidelines for Listed Companies.

In addition to advising and orienting Directors, Officers and employees of their respective duties under the SEC Code, we also have internal mechanisms to ensure their compliance to this Code.

Disclosures. To protect our shareholders and contribute to the development of the Philippine capital market, we promptly disclose structured and non-structured reports and material information about the Company.

Our Company fully complies with other disclosure and reportorial requirements on transactions involving the trading of the Company's shares by our Directors and key officers within the prescribed reporting period.

Compliance Officer. The Board of Directors has designated Vice President and Chief Governance Officer Nena D. Arenas as Compliance Officer, to ensure adherence to corporate governance principles, best practices, the SEC Code and the Company's Revised Code of Corporate Governance.

Compliance Committee. Further strengthening our internal mechanisms is a Compliance Committee that shares in the responsibility of ensuring our Company's regulatory compliance.

The Committee has four (4) other members who are executive officers tasked with ensuring compliance covering SEC, PSE, legal, accounting and reporting standards, environmental, health and safety matters.

Internal Reporting. The Compliance Committee regularly reports to the Audit Committee for continuous monitoring and updates on legal, regulatory developments and compliance matters, thus assuring the Board of their effective management and strategic sustainability. Escalation protocols involve timely reporting of compliance issues requiring Board attention or disposition.

Compliance Committee Members

1. Nena D. Arenas, Compliance Officer
2. Ma. Cristina C. Gotianun
3. George G. San Pedro
4. Atty. John R. Sadullo
5. Junalina S. Tabor

Environment, Safety and Health

To achieve a rational and disciplined balance between socio-economic growth and environmental protection, we comply with the specific measures and conditions set forth in the Environmental Compliance Certificate (ECC) issued by the Philippine Department of Environment and Natural Resources (DENR).

We also have systems and procedures in place to meet the regulatory and reporting requirements of other government agencies that oversee the health and safety aspects of our operations.

On its sixth consecutive year, our coal mining operation has been duly recommended for re-certification to the United Kingdom Accrediation Service (UKAS) by an external conformity assessment body, the Governing Board of Certification International Philippines, Inc. as being in conformance to International Organization for Standardization ISO 14001:2004 on Environmental Management System and OHSAS 18001:2007 on Occupational Health and Safety Management System.

Multi-sectoral Monitoring. A Multi-Partite Monitoring Team (MMT), comprised of representatives from government and various stakeholder groups, oversees and evaluates the Company's compliance with such ECC conditions, applicable laws, rules and regulations on a quarterly basis.

It conducts on-site monitoring activities, which include validation of Air, Water, Operation and Administration reports and Environmental Management Plan.

Internal Monitoring. Our Environmental Unit, together with concerned groups, regularly assess the effectiveness of our environmental programs, in order to identify areas for improvement.

Regular testing. Air and water quality, noise level and hazardous-regulated materials are regularly tested, measured and monitored against standards and baseline data. The results are periodically submitted to concerned government agencies.

Audits. Regular and surveillance audits are conducted by internal auditors, external assurance parties and local regulators to assess the Company's continuing compliance with corporate policies, government regulations, industry guidelines and internationally recognized standards.

Programs Implemented

Clean Air Act

Mine Site Power Plant
- Installation of Multi-cyclone Dust Separator
- Installation of Dust Precipitator
- Installation of Limestone Desulfurization
- Control of Flue Gas Temperature
- Control of combustion

Mine Operation
- Water spraying (coal stockpile, coal conveyors, haul roads)
- Compacting stockpile
- Applying coagulants

Clean Water Act

Mine Site Power Plant
- Cooling Channel
- Neutralization Pit

Coal Washing Plant
- Installation of settling ponds
- Recycling of Tailings

Mine Operation
- Construction of settling pond for Mine rain run-off
- Construction of retaining wall on coal stockpile

Domestic Water Management
- Construction of water reservoir for domestic use
- Operation and maintenance of an advanced water treatment plant for domestic water production

Hazardous and Nuclear Waste Control Act

General Hazardous Waste
- Collection and storage in properly controlled designated storage facility
- Transportation by Department of Environment and Natural Resources-accredited transporter and treater

Used Oil
- Proper storage in containers with secondary containment
- Reused as secondary fuel to Mine Site Power Plant

Ecological Solid Waste Management Act

- Biowaste Reactor for composting
- Material Recovery Facility
- Controlled Dumping Facility
- Segregation of biodegradable, recyclable residual wastes

Philippine Environmental Impact Statement

Reforestation Program
- Coastal mangrove planting
- Inland reforestation

SHAREHOLDER RIGHTS

We maintain an open, welcoming and enabling environment for our shareholders and prospective investors.

To ensure that the rights and interests of our retail and institutional investors are protected, we have instituted policies and practices that accord equal voting rights, reasonable economic returns, unrestricted access to material information and appropriate safeguards against discriminatory and abusive conduct.

It is also our policy to keep our openly traded shares above the 10% minimum public float requirement of the Philippine Stock Exchange.

ALL SHARES HAVE EQUAL VOTING RIGHTS.

Institutional Investors
Being a listed company, we recognize our contributory role in the development of the Philippine capital market and the advantages of having well-resourced, professional shareholders (institutional investors).

In this regard, we are committed to facilitating the entry, participation and fair treatment of institutional investors.

Entry. We encourage the entry of institutional investors holding more than 5% of Company shares (as per PSE Disclosure 17-12 Top 100 Stockholders List) by providing them with sufficient rights and access to information.

Participation. We also encourage their attendance and participation in our Annual Shareholders' Meeting (ASM) by furnishing them with timely and sufficient information regarding such meetings. The ASM is also held at a venue that is easily accessible to retail and institutional investors.

Fair Treatment. We observe the principle of fair treatment of all shareholders on all matters of importance to all investors, particularly institutional investors, such as decisions related to mergers and acquisitions.

Voting Rights
We respect our shareholders' right to participate, be informed and vote on fundamentally important matters during our Annual Shareholders' Meeting (ASM).

At least 21 business days before our ASM, shareholders are furnished with a formal notice (Notice of Annual Shareholders Meeting) and accompanying SEC Form 20-IS (Information Statement), to advise them on the ASM date, location, agenda, rules and voting procedures.

With these information, we hope to facilitate their attendance and participation in our annual meeting.

Matters of Fundamental Importance

Fundamental corporate changes and governance matters requiring approval during shareholder meetings include, among others:

- Amendments to the Company's constitution and similar governing documents
- Appointment, re-appointment of external auditor
- Authorization of additional shares
- Election of Directors individually
- Extraordinary transactions, including 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
- Nomination by non-controlling shareholders of candidates for Board Directors
- Remuneration (per diem, fees) of non-executive Directors

Our Company provides non-controlling shareholders the right to nominate candidates for board directorships as part of the nomination process and procedures. In 2014, such nomination for Independent Directors by a minority shareholder was appropriately disclosed in our Company's SEC 20-IS.

Dividend – Right to Participate in the Profits
Shareholders have the primary financial right to participate in our profits, and we are fully committed to upholding this right by providing them reasonable economic returns on their stock investments.

Since our domestic and international shares offering in 2005, we have consistently exceeded our dividend policy of 20% of the preceding year's Net Income After Tax (NIAT), making us one of the best dividend-paying companies in the Philippines.

Cash Dividend. On 29 April 2014, the Board approved and declared cash dividends of PhP12.00 per share or PhP4.28 billion representing 55% of our 2014 NIAT.

All shareholders were treated equitably in the timing of receiving dividends, and were fully paid the declared cash dividends by 28 May 2014, or within thirty (30) days from the declaration date.

Stock Dividend. In addition to cash dividends, the Board declared stock dividends of two (2) common shares for every one common share held, or 200%. This is the first time that such dividends were granted to shareholders since our capital restructuring in 2004.

SEC approved the issuance of such shares of stock on 8 September 2014, while payment to all shareholders was completed on 24 September 2014.

Amounting to PhP712,500,000 and divided into 712,500,000 shares at a par value of PhP1.00 per share, the stock dividends were taken from the unrestricted retained earnings of the Corporation as of 31 December 2013, and issued from the increase in the authorized capital stock of the Company.

Other Shareholder Rights

We respect other shareholder rights, as provided for in the Corporation Code of the Philippines.

The right to inspection

Shareholders are entitled to inspect the corporate books and records to determine the financial condition of the Company, and understand how the corporate affairs are being managed. In doing so, they can take the appropriate measures to protect their investment.

The right to information

Shareholders have the right to receive periodic reports, which disclose personal and professional information about the Directors, officers and certain other matters such as their shareholdings in the Company, material transactions with the Company, relationship with other Directors and Officers and the aggregate compensation of Directors and Officers.

Appraisal right

Shareholders have the right to dissent and demand payment of the fair value of their stocks, subject to the instances provided for in the Corporation Code.

The key items that required shareholder disposition in the Notice of 2014 ASM included the following:

1. Election of Board Directors individually, with information on individual profile of nominees, such as age, education, experience, position, type of directorship, other directorships, Board Committee memberships, beneficial share ownership and Board meetings attended;
2. Re-appointment of independent external auditor, with details of name and qualification;
3. Voting procedures and methods;
4. Proxy Form easily available with detailed instructions on proxy appointment and procedures to facilitate voting by shareholders who are unable to attend and vote in said meeting;
5. Approval of 200% stock dividends, together with information on dividend policy, amount of cash dividends declared and paid in the previous year;
6. Ratification of the acts of the Board and Management during the period;
7. Approval of amendments to the Articles of Incorporation :
   - Change in corporate name
   - Increase in Authorized Capital Stock
   - Change in Principal Office address
8. Approval of amendment to By-Laws increasing Board quorum to transact business from majority to two-thirds (2/3) of the full Board;
9. Approval of Management Report;
10. Ratification of the securities and corporate guarantees for the Project Debt Facility by our Company's wholly-owned subsidiary, St. Raphael Corporation.

Under our Company By-Laws, the Board has the authority to declare cash dividends, and the dividend policy information was disclosed in the Corporate Governance section (Part V) of the Management Report accompanying the Notice of 2014 ASM.

Notice of Annual Shareholders' Meeting

We disclosed our Notice of 2014 Annual Shareholders' Meeting (ASM) on 6 March 2014. The Proxy form is easily available and included in the Notice of ASM.

On 27 March 2014, we likewise disclosed our SEC 20-IS (Definitive Information Statement) with detailed agenda and relevant information for our shareholders' consideration.

Both documents were issued more than twenty-one (21) days before the regular ASM on 5 May 2014.

Annual Shareholders' Meeting

Our Annual Shareholders' Meeting is held on the first Monday of May of each year, during which we report on the Company's performance and provide an opportunity for our shareholders to ask the Board for updates or clarification on certain issues.

The Chairman of the Board, Chairman of the Audit Committee, Chairman of the Compensation and Remuneration Committee, and Chairman of the Nomination and Election Committee, other Board Directors, Chief Executive Officer, Chief Operating Officer, Chief Finance Officer, Corporate Secretary, other Key Officers and external auditor (Sycip Gorres Velayo & Co.) attended the most recent annual meeting to answer questions from shareholders.

In our 2014 ASM, we adopted several best practices such as, but not limited to the following:

WE RESPECT SHAREHOLDER RIGHTS, AS PROVIDED FOR IN THE CORPORATION CODE OF THE PHILIPPINES.

Venue

The Manila Polo Club, Inc. in Forbes Park, Makati City.

The venue is an accessible meeting location to the shareholders, as per policy.

Shareholder Participation

After discussion of the Management Report, the shareholders and other attendees were provided with the opportunity to raise any question and/or clarification on the performance and prospects of the Company.

Questions raised and the answers accorded by our Executive Directors, CEO and President, and CFO were duly recorded in the Minutes of the 2014 ASM. Likewise, these were disclosed in the relevant section of the Annual Corporate Governance Report.

Agenda

There was due observance of the agenda items as indicated and disclosed in the Notice of 2014 ASM.

The Corporate Secretary discussed and explained the rationale of the agenda items requiring shareholders' approval.

In compliance with regulatory rules, there was also no added agenda item or amendment to material information without prior shareholder notice.

Disclosure

Results as to approving, dissenting and/or abstaining votes of shareholders taken for all resolutions are publicly disclosed to the SEC and PSE by the next working day. The same information was posted at our Company's website on the same day of disclosure.

The list of Board Directors who attended the 2014 ASM are reported and disclosed in a certification of attendance to PSE and SEC.

This certification and the Minutes of the 2014 ASM are disclosed in our official company website.

Voting in person or in absentia

We respect the rights of our shareholders to participate and vote in our ASM.

Whether made in person or in absentia, their votes carry equal effect.

We allow voting in absentia via proxy to give a shareholder who is unable to attend our ASM the opportunity to participate and vote.

The following Poll Voting procedures were observed during the 2014 ASM:

- Poll voting was conducted as opposed to show of hands for all resolutions
- Appointment of SGV & Co. as independent body to count and validate the votes by poll cast by the shareholders for items stated in the agenda requiring approval and/or ratification
- Votes were cast and counted for each agenda item
- Voting results were presented for each agenda item during the meeting to inform the participants of such outcome

EQUITABLE TREATMENT OF SHAREHOLDERS

One of the basic tenets of our corporate governance framework is the fair and equitable treatment of shareholders, and we do not intend to deviate from this principle.

All our shareholders are provided with the necessary safeguards, information and opportunities to exercise their rights and effectively manage their investments.

We are also committed to providing minority shareholders with adequate protection from abusive and inequitable conduct of majority shareholders, Directors, Officers and employees of the company.

Proportionate Voting

We uphold a share structure of "one vote per one common share", and have no current practice that have led us to award disproportionate voting rights to select shareholders.

In the event that extraordinary circumstances necessitate further special arrangements where we issue special cases of shares, thus resulting in disproportionate claim on voting rights, we shall issue a full disclosure and detailed justification of such action.

Prior to taking such an extraordinary action, we shall seek the requisite approval from our shareholders.

Insider Trading

We have Codes of Conduct and Insider Trading policy that explicitly prohibit insider trading to prevent conflict of interest and benefiting from insider information or knowledge not available to the general public.

Directors, Officers and employees are required to abide by our prescribed restrictions and no-trading periods of our Company's shares of stock in the market.

Our policy requires our Directors and Key Officers to report their trades within three (3) business days to the Legal Department, for eventual reporting to the Philippine Stock Exchange and Securities and Exchange Commission. Our Company requires a One-Day-Before-Stock-Trading reporting protocol for its Directors and Key Officers to notify, call or clear with Legal department at least one day before a planned stock trading of the Company's shares.

In 2014, there were no complaints received regarding misuse of insider information committed by any Director or Officer.

Disproportionate Voting Rights

We do not practice the following:

- Shareholders' agreements
- Voting caps
- Multiple voting rights for certain shares

ONE COMMON SHARE, ONE VOTE

PROMPT DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST IS ESSENTIAL TO GOOD CORPORATE GOVERNANCE.

Conflict of Interest

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. We require early submission by a Director, Officer and Employee of a "single transaction" disclosure statement, and due before actual 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. While the remaining directors discuss and vote on such matter, the interested Director should abstain from voting on the same.

All Directors, Officers and Employees are also required to submit an Annual Disclosure Statement of their financial, business or personal interests or dealings with the Company and/or subsidiaries at the end of each financial year.

Company Loan

The Board abides by the Company's policy not to extend personal loans or credit to Directors unless approved by the Board.

There were no such loans extended to Directors in 2014.

Related Party Transactions (RPTs)

We have a Related Party Transaction Policy that requires such transactions to 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 an RPT, taking into account factors like expertise of related party, cost efficiency, among others.

Generally, Management promptly reports to the Board of Directors (Board) on the terms, business purpose, benefits and other details of each new, existing or proposed RPT for review and approval.

To determine that material/significant RPTs are in the best interests of the Company and Shareholders, our 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 our RPT Policy. Their review considers such other factors as fairness, market rate, arms-length terms, commercial reasonableness and extent of conflict of interest, actual or apparent, of the related party participating in these RPTs.

Our Audit Committee assists the Board in its oversight of RPTs. Our quarterly and annual review of the financial statements include related party accounts and ensures RPTs are disclosed for the information of the investing public.

In 2014, there were no RPTs of financial assistance or loans to Directors, affiliates or related entities that are not wholly-owned subsidiaries.

Share Repurchase

All shareholders are treated equally and fairly with regard to share repurchases. There were no share repurchases made in 2014.

Our Related Party Transcation Policy

The Board-approved policy on related party transactions:

- Specifies the guidelines, categories and thresholds requiring review, disclosure and prior approval by the Board of Directors or Shareholders of such transactions
- Defines related party transactions deemed to be pre-approved by the Board in accordance with the Company's Board-approved Table of Authorities
- Requires Independent Directors to review material/significant RPTs that meet the treshold level stipulated by regulatory rules on material RPTs, to determine whether they are in the best interests of the Company and Shareholders
- Requires that all RPTs be disclosed to the Board. All RPTs are also disclosed in the related Notes to Financial Statements of the Company's audited accounts and in required SEC filings.

ROLE OF STAKEHOLDERS

We protect the rights and interests of our stakeholders, as defined by the law or through mutual agreements.

While our stakeholders may not have equity stakes in our Company, we acknowledge our duties and responsibilities towards them. We also recognize their contributory role to our success and sustainability.

Through our corporate governance process, we are able to promote stakeholder engagement as a medium for improving our performance, decision-making processes and accountability.

We acknowledge our duties to our stakeholders, and their roles in our Company.

To ensure continuous communication and cooperation with our various stakeholders, we conduct activities and quarterly meetings with the Multi-Partite Monitoring Team (MMT), regulatory agencies and concerned sectoral groups.

Stakeholder Engagement

Employees

Our organizational policies are geared towards protecting the welfare and rights of our employees.

We have an employee engagement framework that emphasizes the importance and interconnectedness of corporate culture, assessment, reward, equality, and safety and health in our operations.

Our Company's remuneration philosophy aims to ensure an overall compensation structure that is closely linked to individual performance, Company performance and shareholder value.

Our remuneration strategy sets compensation levels that are appropriately competitive in attracting, motivating and retaining competent individuals.

Our reward/compensation policy accounts for Company performance based on a Balanced Scorecard cascaded to all levels throughout the organization. Performance Objectives, Targets and Programs (OTPs) aligned with the Company's strategic and operational plans 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 upon with Management. Management conducts performance monitoring through periodic meetings with department heads.

Culture

We invest in talent development programs and performance management mechanisms to empower our employees, and help create a culture of integrity and excellence where they can prosper and achieve their full potential.

Assessment

Using a competency-based performance management system, we are able to plan and evaluate the performance of our employees.

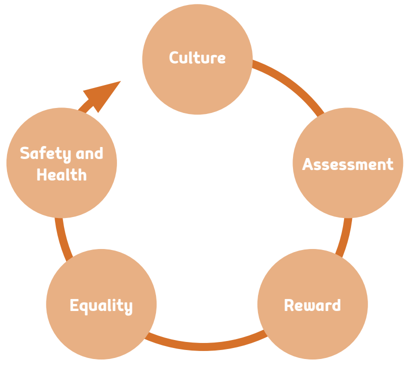
We adopt a Balanced Scorecard that considers their technical and behavioral competencies, such as adherence to and support of the Company's Code of Conduct, good governance program and Environmental, Safety and Health (ESH) policies.

Reward

Our compensation and reward policy is benchmarked against industry and market standards for similar work responsibilities and positions.

We also provide cash incentives based on the performance of the employee and the Company, to support a high-performance culture that actively strives to grow the business and increase shareholder value.

Employee Engagement Framework



Equality

We foster the fair treatment of employees and do not tolerate unlawful discrimination and harassment of any nature on the basis of sex, race, religion, age, color or disability.

Our Anti-Corruption and Ethics Program provides a robust system of policies, processes and controls, while our whistleblowing mechanism provides a confidential venue for employees to raise valid, fact-based ethical concerns.

Whistleblowers may report such concerns through our website or dedicated email address at hotline@semirarampc.com.

Safety and Health

We are committed to providing our employees with a workplace that protects their safety, health and welfare.

Our Safety and Health policies, processes and employee trainings are aligned with relevant government regulations.

We also utilize modern infrastructure and advanced equipment to further enhance the level and efficacy of our safety and health programs.

The corporate sustainability report section of this integrated annual report provides further information about our human resource program.

Customers

Supplying quality coal that meets the stringent specifications of our customers is among our core missions.

In fulfillment of this mission, we have instituted policies, procedures and practices that enable us to serve some of the biggest coal consumers in the country.

Our Company's continuing re-certification to ISO 9001:2008 on Quality Management System affirms the continual improvement of business processes in key performance areas.

Customer Service

Quality control is the overarching principle behind our customer service efforts.

We conduct our operations with the end goal of safely delivering the coal based on the agreed quality and lifting schedule.

As our customers play a significant role in our Company, we make sure to deal with them in a fair, professional and responsive manner.

Product Delivery

We recognize the unique demands of our customers, and continually strive to deliver the coal supply they need to optimize the performance of their plant.

Our product delivery system is supported by four pillars: Measurement, Testing, Inspection and Safety, and Feedback.

Measurement	Testing	Inspection and Safety	Feedback
We continuously measure the characteristics of our coal to ensure that customer requirements are clearly determined and understood. Any significant changes regarding the coal order are communicated to the customer in a timely manner, before effecting any such change.	To establish conformity with the coal requirements of the customer, we conduct the necessary tests and document the pertinent results prior to the scheduled shipment. Coal shall not be loaded and shipped until all the tests are completed and all results pass the agreed specification.	Customers are given access to our operations so they can inspect our facilities, monitor our coal quality and witness the actual loading of the coal. During such visits, we require the strict observance of safety procedures by our customers to ensure their safety while at the mine site.	Periodic customer satisfaction surveys are undertaken to gain client feedback and insights. The surveys are done annually to determine customer assessments of our supply delivery, product quality, client responsiveness and technical support. Customer concerns, if any, are addressed and resolved through corrective action and after-sales settlement guidelines.

Our Customer Service Matrix

Quality Control

- Coal delivery is based on agreed quality and contracted delivery schedule
- Our laboratory is equipped with modern equipment to test the coal sample from our mine pit up to the vessel of our customer. This is to ensure that the coal loaded to our customer's vessel conforms with the International Organization for Standardization and American Society for Testing and Materials, for monitoring purposes.
- A third-party surveyor/laboratory also conducts sampling and testing of coal for all shipments, ensuring non-biased results in actual coal quality and quantity shipped. These results shall serve as the final basis for billing.

Responsible

- Strict adherence to Codes of Conduct on fair dealings and confidentiality in all transaction and business information, such as customer data.
- No reported complaints in violation of customer data privacy in 2014.

Transparency

- During mine site visits, all customers are given access to our coal handling, testing and loading operations so they can inspect and monitor their orders.
- In 2014, a total of 34 customer visits were accommodated in our mine site.

Customer Satisfaction

- Increased customer engagement from 88% in 2013 to 95% in 2014, per completed survey.
- Higher customer satisfaction index from 97% in 2013 to 100% in 2014.
- Timely resolution of concerns/complaints.

Supplier Review and Selection

Suppliers are selected and evaluated based on their track record, price, payment terms, product quality, response to problems and delivery.

Canvassing procedures ensure competitive pricing, favorable terms and value-added services without compromising quality.

Suppliers and Contractors

We nurture our strategic partnerships with suppliers and other business partners by honoring our contractual commitments and issuing timely payments for delivered products and services.

Our Codes of Conduct promote fair dealings with business partners, including the confidential handling of proprietary, non-public information. Such information could include, but are not limited to, contract terms or bids.

Quality Procurement

To support the cost-efficiency objectives of the Company, our Quality Policy for Procurement activities ensure competitive sourcing and pricing of high-quality goods and services.

It also details our procedures on accreditation, evaluation of new suppliers and re-evaluation of performance of accredited suppliers of critical materials every 12 months to ensure consistent quality of purchased products and services.

Sustainable Procurement

We have integrated "green" initiatives and sustainable practices in our accreditation procedures.

Even among our power subsidiaries, suppliers are screened using environmental criteria such as waste management, environmental and/or regulatory compliance certificates; labor practices in supply chain covering child labor, forced labor; and human rights criteria.

Our supply chain management system considers the impact and influence of our procurement practices on raw material inputs and natural resource utilization.

Controls and procedures for receiving, storing and handling hazardous materials have been established to help protect the environment and our employees. These controls and procedures are based on applicable laws, regulations and ISO standards.

Creditors and Business Partners

We value the contributions of our creditors to the growth, development and sustainability of the Company.

As we work towards increasing our value, so does our focus on strengthening our relationships with our creditors.

To ensure the timely repayment of our loans and compliance to the covenant terms of our loan agreements, we employ a capital management strategy that safeguards our strong credit rating and healthy capital ratios.

This strategy allows us to support our business operations, while protecting the legal rights and interests of our creditors.

AS WE WORK TOWARDS INCREASING OUR VALUE, SO DOES OUR FOCUS ON STRENGTHENING OUR RELATIONSHIPS WITH OUR CREDITORS.

Government

Our partnership with the Philippine government has resulted in the availability of affordable energy to millions of Filipinos.

Equally important, our royalty payments to various government agencies provide significant and stable revenues to support the socio-economic programs in the country.

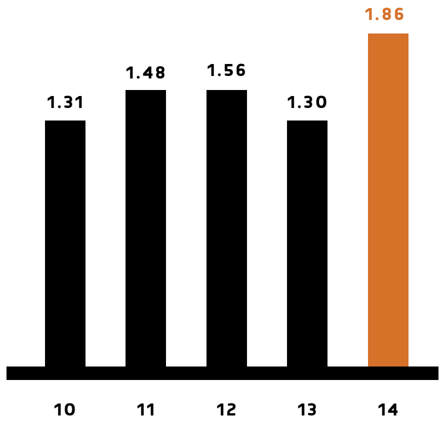
Royalties to the Department of Energy, national and different local government units in the Province of Antique amounted to P1.86 billion in 2014.

In the last five years, cumulative royalties have amounted to over PhP7.51 billion.

Our close partnerships with local government units and key sectors have also resulted in community-based emergency preparedness initiatives, such as disaster and risk reduction management workshops and drills.

We see our partnership with the government growing stronger through our responsible citizenship, active support of the government's good governance regime, judicious use of the country's natural resources and compliance with relevant taxation, laws and regulations.

Royalties Due



Community and Environment

The sustainability of our host communities and the environment is firmly embedded in our operations.

We continually invest in programs, facilities and equipment that will improve the quality of life of our host communities, and promote the judicious use of natural resources.

Continuous Improvement

Our integrated Environment, Safety and Health (ESH) management system is founded on the principle of continuous improvement.

Using relevant environmental and social responsibility performance standards, we developed a Hazard Identification and Risk Assessment process that helps ensure that the environmental impacts of our coal mining activity, products and services are properly identified and evaluated. In this way, the necessary control measures can be implemented to address the impacts.

Compliance

Our employees and contractors are mandated to comply with our ESH objectives and policies.

Some of these policies include the conservation and promotion of the local biodiversity, management of ecological solid waste, conservation of energy and water, pollution control, among others.

Environmentally-Friendly and Sustainable Value Chain

Air Pollution Management

- Close monitoring of spontaneous combustion activity of coal stockpiles through continuous and thorough compaction
- Inspection of stockpiles every start and middle of the operation shift
- Road watering by six water trucks during dry season and hauling operation
- Setting truck speed limits
- Installation of pollution control facilities on the Mine Site power plant smoke stack
- Use of dust-treat coagulants during product transfers
- Preventive maintenance program of mobile and air-conditioning equipment
- Inspection of stockpiles every start and middle of the operation shift

Waste Management

- Channeling of wastewater from coal washing plant to settling ponds before recycling for plant watering use or to a constructed dike area for containment
- Handling, containment, clean-up and restoration procedures of industrial materials and wastes
- Progressive rehabilitation program of old Unong mine and a section of current Panian mine
- Ash waste management of power plant station

Commitment to our Stakeholders

We uphold all laws concerning the proper and fair treatment of our internal and external stakeholders, particularly those identified in this report.

Serious Offense

We consider violations of such laws, including violations of our country's commercial and competition laws, a serious offense.

Directors, Officers, employees, consultants, suppliers and contractors found to be responsible for such violations shall be dealt with, in accordance with our relevant policies.

Striking a Balance

While we put a premium on profit maximization and shareholder value optimization, we also recognize our duty to strike a proper balance between purely short-term financial performance and longer-term overall corporate performance.

To achieve long-term sustainability and strength, we will secure the loyalty, commitment and support of our internal and external stakeholders through our programs and policies.

Anti-Corruption and Ethics Program

Ethics is a core requirement among our employees and is integrated in their job responsibilities and performance evaluation.

Our program consists of ethics-related policies, soft controls and assurance activities for promoting the highest standards of openness, probity and accountability throughout the organization.

Every year, corruption and fraud risks are assessed according to risk levels, as part of the Risk and Control Self-Assessment process under our Enterprise Risk Management.

In 2014, all business units were assessed on their vulnerability to such risks. Risk review results are evaluated by the Internal Audit (IA) in its annual audit plan, and subsequently reported to the Audit Committee.

The IA team has adequate fraud training to conduct related assurance work in evaluating our Company's fraud and corruption risks.

In 2014, our IA performed a review of our organization's ethics governance, including an Ethics Survey conducted to assess the ethics maturity level of the organization, and perception and awareness of employees of existing anti-fraud and ethics policies.

Tone at the top was reinforced with a Fraud awareness session among corporate management officers during the year.

Conflict of Interest Policy

Our Codes of Conduct explicitly provide guidelines on anti-corrupt practices involving conflict of interest, business gifts and entertainment, among others. These guidelines apply to all Directors, Officers and employees, including their immediate family members, within a degree of affinity or consanguinity.

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.

We do 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.

To monitor compliance with the Conflict of Interest policy, we require 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.

Gift and Entertainment Policy

Our Gift and Entertainment policy and guidelines explicitly disallow employees from receiving 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 (PhP2,000) under the client's, supplier's or customer's relations program.

We routinely communicate and reiterate this policy to our suppliers and business partners during the Yuletide season.

Fraud and Ethics Response Policy

This Policy sets out the procedures and ways in which employees or other stakeholders can voice their concerns or complaints about suspected fraud or corruption. It also outlines how such complaints will be reviewed and addressed by the Company.

Whistleblowing

We expressly prohibit retaliation, intimidation, harassment or adverse employment consequences against a reporter who raises a concern or complaint. Any such report shall be treated with due care and utmost confidentiality.

We shall investigate and address promptly any concern of reprisal and harassment brought to our attention.

Our Hotline reporting mechanism provides a secure reporting channel for employees, customers, suppliers and other stakeholders. They can raise and communicate valid complaints and confidential concerns on fraud, questionable and unethical transactions in good faith.

Hotline reporting procedures include the use of a standard form to guide the reporter in providing adequate information and basis to enable the Company to effectively investigate, evaluate and resolve the reported matter.

While the reporter may choose to report a concern anonymously, he must provide adequate information for the Company to have sufficient basis to assess the genuineness of an anonymous complaint or concern, investigate, and form an informed judgment.

The whistleblowing mechanism is accessible through our website at www.semiraramining.com or our dedicated email address at hotline@semirarampc.com.

Investor queries on governance matters may also be raised through a dedicated email address at investor_relations@semirarampc.com.

Alternative Dispute Resolution Policy

We promote 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.

This policy aims to encourage fair, efficient and equitable resolution of disputes, at the earliest stage of a conflict, while avoiding or discouraging recourse to protracted litigation.

Our active engagement and partnership with the community encourages open communication of issues or concerns, if any, with affected stakeholder groups.

Such matters are discussed and readily resolved during community activities or raised during quarterly monitoring meetings with the Multi-Monitoring Team, which includes representatives of concerned sectors.

DISCLOSURE AND TRANSPARENCY

We uphold the principle of transparency and commit to a system of timely disclosure of material information regarding our financial performance, ownership and business updates.

In consonance with our regulatory mandate, we disclose material reports and events within the prescribed reporting period.

Our Annual Report, Annual Corporate Governance Report, disclosures, regulatory filings and website provide full details regarding our governance structure, objectives, key risks, financial and non-financial performance indicators, systems and policies.

Ownership Transparency

We promptly report the significant ownership, including direct and indirect beneficial ownership of our shares, relationships of related companies, and structure of crossholdings, as well as the extent of our ownership and interests in our subsidiaries.

We likewise disclose the direct and indirect shareholdings of our Directors and senior management. Such information are fully disclosed in the SEC 20-IS, 17-A and Annual Corporate Governance structured reports.

Information Policy

Corporate information is disclosed in a timely and transparent manner to individual and institutional shareholders using a number of communication channels.

Investor Relations

Our goal is to provide the investment community with timely, relevant and accurate information about our financial performance, operating highlights, strategic direction, growth prospects and potential risks.

We recognize our duty to advance the interests of our shareholders. We demonstrate our commitment to the investing public by adopting a policy of open and constant communication, subject to insider information guidelines and other pertinent Company policies.

Shareholder Communication Channels

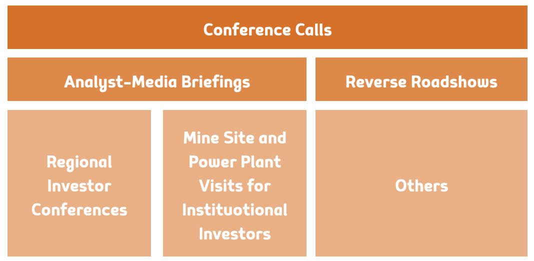
Announcements and Updates	Periodic Reporting	Investor Relations	Company Website
We release announcements or disclosures on material business developments and updates, as needed.	We practice the timely issuance of quarterly and annual structured reports, including financial statements that are prepared in accordance with financial reporting and accounting standards.	We conduct and/or participate in investor relations activities, such as analyst briefings, investor conferences, among others.	Our website (www.semiraramining.com) provides up-to-date financial and business information on the results of our business operations, organization structure, corporate governance documents and policies, disclosures, among others.

Engagement Platforms

We actively engage with institutional and prospective investors, investment analysts, fund managers and the financial community through various platforms.

We also work with the media in informing stakeholders of timely business developments, as needed.

Investor Engagement Platforms



Highlights and Activities

In 2014, we conducted and participated in a number of investor relations activities.

Activity	Details
1. Regional conferences	J.P. Morgan Asia Pacific Corporate Access Asia Rising Dragons Tokyo, Japan 12-13 May CLSA Investor's Forum Hong Kong 15-19 Sep
2. Philippine conferences	J.P. Morgan Philippines 1x1 Conference 2014 Makati, Philippines 24 Jan 3rd Annual DB Access Philippines Makati, Philippines 9 Oct
3. Media/Press briefings with Q & A	Manila Polo Club 5 May
4. Investor/Creditor visits at Mine Site and Power Plant Sites of Subsidiaries	Mine Site Visit Semirara Island, Antique 28 May Power Plant Sites Calaca, Batangas 31 July, 4 Dec

Contact Information

Our Investor Relations unit reports directly to the Chief Finance Officer, and may be reached using the following details:

Ms. Sharade E. Padilla
AVP - Investor and Banking Relations
Semirara Mining and Power Corporation
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STOCK TRANSFER AGENT DETAILS
Rizal Commercial Banking Corporation
7th Floor, RCBC Building
333 Sen. Gil J. Puyat Avenue
Makati City, Philippines
T +632 894-9000
F +632 894-9569

RESPONSIBILITIES OF THE BOARD

The Board of Directors (Board) is responsible for the overall performance of the Company. It jointly directs and oversees the affairs of the Company, while meeting the associated interests of investors and others stakeholders.

Our Revised Code of Corporate Governance defines the roles, duties and responsibilities of our Board, in accordance with relevant Philippine laws, rules and regulations, and in full compliance with the principles of corporate governance.

The Board also follows clear and specific guidelines on internal Board processes and types of decisions requiring their approval.

COMMITTED TO DELIVER GREATER SHAREHOLDER VALUE

Strategy and Oversight

The Board establishes and approves the vision, mission, strategic objectives and key policies of the Company.

It also establishes decision-making authority policies, levels, limits and guidelines for Management, according to its risk appetite level and required Board approvals for governance matters including, but not limited to, debt commitment, capital expenditures, equity investment, divestitures, change in share capital and asset mortgage.

On a continuing basis, it also conducts the following duties and responsibilities, among others:

- Approves and adopts corporate strategy, and proactively oversees its execution using control mechanisms and risk management systems.
- Formulates and adopts corporate policies, beginning with those related to corporate governance and strategy execution oversight.
- Monitors the financial and non-financial performance of the Company, including oversight of risk management.
- Establishes an accountability system that provides equal emphasis on rewards, incentives and penalties.
- Promotes a culture of ethics, social responsibility and good governance by providing keen oversight.

Vision and Mission

At least once every five years, the Board revisits our Vision and Mission Statements. Both were last reviewed and approved on 11 November 2014.

To help ensure that there is understanding and achievement of the Vision, Mission, corporate values, goals and objectives across the organization, we include these matters in our annual strategic planning exercise.

In our strategic planning sessions, we emphasize the integration of our strategy map and top-down communication across all levels of the organization.

Our Vision

Coal towards an energy-sufficient Philippines

Our Mission

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

- The undisputed leader in the coal mining industry and vertically integrated coal-based power producer in the Philippines
- Playing a vital role in the energy sector and working in harmony with the government to promote the use of coal as a reliable and economical power source
- Supplying its customers with quality coal that meets their stringent specifications
- Providing reasonable economic returns to its investors and business partners
- Empowering its employees to prosper in a climate of integrity and excellence
- Working in partnership with its host communities to improve their sustainability while engaging in the judicious use and rational conservation of the country's natural resources

Our Values

In fulfilling our vision, we are guided by the following values:

- **Teamwork** that enables us to work toward common goals
- **Excellence** that drives us to deliver outstanding results
- **Loyalty** that keeps us steadfast over challenges and time
- **Integrity** that upholds the cornerstone of our business ethics
- **Commitment** that fuels realization of our mission
- **Professionalism** that embodies our work quality

Board's Good Governance Charter and Code of Conduct

The Board takes seriously its duty to promote a culture of ethics, social responsibility and good governance. It has Good Governance Guidelines that serve as its Charter.

The Guidelines include policies regarding directorship tenure, service in other company boards, conflict of interest, among others.

Our Code of Conduct (Code) for Directors and Officers reflects our commitment to conduct our business according to 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.

All Directors and Officers are expected to fully adhere to the principles and provisions set forth in the Code. New Directors undergo Board orientation, which includes a knowledge and understanding of the Code and good governance policies. They are required to certify that they have received, read and understood the Code. All Directors and Officers are required to annually certify their compliance with the Code.

The Code is administered by the Audit Committee and reviewed periodically and/or modified to enhance effectiveness.

The Good Governance unit assists the Board in the implementation and monitoring of the Code through a robust system of governance and control processes.

In 2014, all Directors and officers have certified their compliance with the Code.

Board Structure and Composition

The full Board consists of eleven (11) Directors: four (4) of whom are Regular Executive Directors, five (5) are Regular Non-executive Directors and two (2) are Non-Executive Independent Directors.

Role	Number
Regular Executive Directors	4
Regular, Non-Executive Directors	5
Non-Executive, Independent Directors	2
Total	11

Nomination and Election

All Directors are evaluated and nominated by the Nomination and Election Committee as having met the criteria and qualifications, in accordance with regulatory requirements and Good Governance Guidelines for the Board of Directors on tenure policy, term limits and service to other boards.

The Committee considers the qualifications, skills and experience that are aligned with the Company's strategy and accepts nominations of candidates for election as Board members and to fill Board vacancies as and when they arise, as well as considers issues of potential conflicts of interest for such candidates.

The Committee is authorized to retain or use professional search firms or other external sources when searching for candidates to the Board of Directors.

It reviewed the Institute of Corporate Directors' Fellows and Graduate Members Directory, among others, during its search for candidates due to changes in our board leadership in 2014.

All non-executive Directors and executive Directors, including the Chief Executive Officer are subject to election or re-election annually at the Annual Shareholders' Meeting.

The procedures, process adopted and criteria are defined in our Securities and Exchange Commission (SEC) Annual Corporate Governance Report, which may also be accessed through our website.

The nominations and due dates for submission of such nominations are likewise disclosed to the Philippine Stock Exchange and, subsequently, in our website.

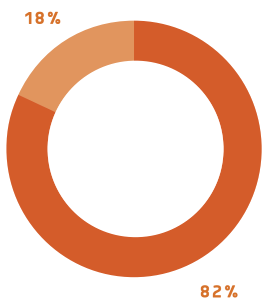
Directorships

The number of Board seat memberships held by our Directors are in consonance with best practices espoused by the ASEAN Corporate Governance Scorecard.

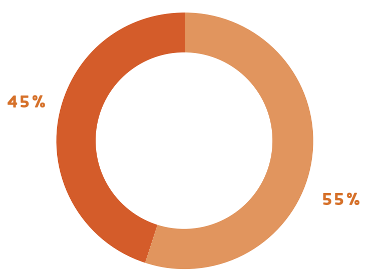
No individual Director nor Independent Director has simultaneously served in more than five (5) boards of publicly-listed companies. Moreover, our Executive Directors do not serve on more than two (2) boards of listed companies outside our parent company, DMCI Holdings Inc.

Our Board profile with concurrent directorships held are fully disclosed in the SEC 20-IS (Definitive Information Statement), Annual Corporate Governance Report and Integrated Annual Report.

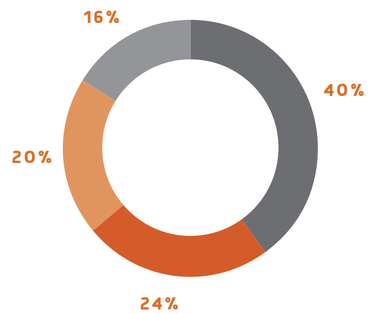
Board Diversity by Gender



Board Diversity by Age



Board Diversity With Area of Expertise and Professional Skills



Board Competency and Diversity

We value, promote and observe competency and diversity in the composition of our Board.

Our Directors are a diverse mix of highly-qualified individuals, with stature and experience in the coal and energy industries, finance sector, government service, and business operations. Their background enables them to effectively participate in Board deliberations and fulfill their fiduciary duties.

Two of our Non-executive Directors have prior extensive work experience in the coal mining and/or energy industries, both major industries that the Company and its subsidiaries operate in. Majority of our Directors possess mining and engineering core competencies that are aligned with our group's strategy of forward intergration towards the coal energy business.

There is also no discrimination of gender, age and religion in the selection and appointment of our Board.

Board and Director Development

Our Board and Director Development program aims to raise the quality of our Board operations. It includes orientation, training, continuing education, committee assignments and Board evaluations for improvements, among others.

New Directors are given a formal Board Director Performance Expectations list, which provides a common ground for their individual performance.

Directors are encouraged to visit our mine site and power plants at least once every two years, to periodically update their knowledge and understanding of our operations.

To enhance the qualifications and effectiveness of the Board, Directors have undergone formal self-assessments on skills and expertise, including identification of development areas of interest.

In 2014, all Directors have fully complied with the corporate governance orientation and ICD's governance seminars as required by SEC regulations. Our Directors also attended the Wholesale Electricity Spot Market seminar conducted by the Philippine Electricity Market Corporation for a better understanding of our power business and executive compensation forum to enhance their performance of their Board and Committee oversight duties.

Chairman and Chief Executive Officer (CEO)

On 11 November 2014, our Company entered a leadership transition phase with the appointment of a new Chairman and Chairman Emeritus.

The Chairman and CEO roles are unified to centralize leadership at this time. The Board noted the strategic challenges and opportunities in our 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 toward greater shareholder value for our Company.

Our 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 our Amended By-Laws and Revised Code of Corporate Governance, good governance policies, annual Board and CEO performance evaluation process, among others.

	Orientation	Continuing Development
Focus Areas	History, financial and operating performance, products, significant milestones, Board and good governance policies, regulatory requirements and corporate social responsibility projects, among others	• Varies according to the Director's requirements and the quality and relevance of the available training • Management courses
Knowledge Materials	Orientation kit with relevant reading and video materials	Reference materials on global best practices and governance issues
Other Learning Support	Familiarization tours of mine site, power plants, etc.	• Membership of Directors and key officers in the Institute of Corporate Directors (ICD), a professional organization committed to the professional practice of corporate directorship • Corporate governance seminars, roundtable discussions, working sessions • Economic briefings, conferences, fora

WE ENDORSE ONLY THOSE INDIVIDUALS WHO CAN AND DO EXERCISE INDEPENDENT JUDGMENT.

Independent Directors

An Independent Director (ID) 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.

Our Company's IDs possess the qualifications and none of the disqualifications under existing Philippine regulatory rules and requirements for IDs.

They were nominated by a non-controlling shareholder during the nomination process, and are independent of Management and major shareholders of the Company. More importantly, they bring objectivity and an independent mindset during Board deliberations and discussions.

We endorse only those individuals who can and do exercise independent judgment. As such, and as a matter of policy, we exclude from our list of IDs those with any close relationship, either by blood (within the second degree of consanguinity) or marriage, with significant stockholders, the CEO or any member of our company's top management team.

We likewise exclude from the list of candidates those who may have served our company as an officer or significant service provider, unless two years have elapsed since the termination of that service.

Our number of IDs is in compliance with the Philippine regulatory requirement for boards of publicly-listed companies. Their cumulative tenure complies with the SEC's prescribed ten (10) year-limit for Independent Directors, and their election as such in no more than five (5) companies in each conglomerate, both terms effective 2012. They have also been elected as such to the Board of our Company's wholly-owned subsidiary, SEM-Calaca Power Corporation.

One of our IDs has been elected and re-elected as Independent Director since his appointment as such from May 2005 to reporting year 2014. Our leadership gives high regard to his exemplary performance and continuing significant contribution to our Board and Company's strategy map through his broad-based governance expertise and extensive experience in finance and public governance.

Board Meetings

In 2014, the Board had eleven (11) meetings, including its organizational meeting. All of the meetings were open and candid, with independent views given due consideration.

All Directors fully complied with the SEC minimum Board meeting attendance requirement of 50%.

To enhance best practices in Board performance effectiveness, we have amended our By-Laws to increase the Board quorum requirement to transact business from majority, as per regulations, to two-thirds (2/3). This amendment garnered shareholder approval in the 2014 Annual Shareholders' Meeting.

Corporate Secretary

At the beginning of each year, the Corporate Secretary provides a schedule of regular Board meetings and Board committee meetings, in line with our regulatory reporting dates. Special Board meetings may be called for when the need arises.

The Corporate Secretary assists the Chairman in setting the Board agenda and provides Directors with meeting agenda and related materials at least five (5) days before a Board meeting. This is to provide Directors with accurate and sufficient information to make educated decisions during the Board Meeting.

The Corporate Secretary likewise provides ready and reasonable access to information that Directors may need for their deliberation on issues listed on the Board agenda.

In addition to ensuring that all Board procedures, rules and regulations are strictly observed, the Corporate Secretary safeguards and preserves the integrity of the minutes of Board meetings. He also provides updates to the Directors and Management regarding statutory and regulatory changes.

The Corporate Secretary and Vice President - Legal, Atty. John R. Sadullo, possesses the legal qualifications and competencies to effectively perform the secretarial and related duties of the position. We provide Atty. Sadullo access to legal, accountancy and company secretarial best practices training, to further elevate his professional standards as a Corporate Secretary.

Directors	Board Role and Appointment	Meeting Performance	
		Board and Organizational Meetings	Annual Shareholders' Meeting
David M. Consunji	Non-Executive Director Chairman (January - 11 Nov 2014)	8/11 73%	1/1
	Chairman Emeritus (appointed 11 Nov 2014)		
Isidro A. Consunji	Executive Director Chairman (appointed 11 Nov 2014) Vice Chairman (January - 11 Nov 2014)	10/11 91%	1/1
	Chief Executive Officer		
Victor A. Consunji	Executive Director Vice Chairman (appointed 11 Nov 2014)	11/11 100%	1/1
	President and Chief Operating Officer		
George G. San Pedro	Executive Director	10/11 91%	1/1
	VP-Operations & Resident Manager		
Ma. Cristina C. Gotianun	Executive Director	11/11 100%	1/1
	Executive Vice President		
Jorge A. Consunji	Non-Executive Director	10/11 91%	1/1
Herbert M. Consunji	Non-Executive Director	11/11 100%	1/1
Cesar A. Buenaventura	Non-Executive Director	11/11 100%	1/1
Ma. Edwina C. Laperal	Non-Executive Director	11/11 100%	1/1
Victor C. Macalincag	Independent Director Non-Executive Director	11/11 100%	1/1
Federico E. Puno	Independent Director Non-Executive Director (deceased 11 Oct 2014)	9/11 82%	0/1
Rogelio M. Murga	Independent Director Non-Executive Director (**appointed 11 Nov 2014)	1**	**

Director Remuneration Summary*

Annual Retainer Fee
PhP240,000

Fixed Per Diem
PhP20,000/Committee Meeting

Performance-based Bonus
As prescribed by Company By-laws and as approved by the Board

*Since May 2009 as approved by the Shareholders

Director Remuneration

The remuneration of the Board of Directors consists of an annual retainer fee, per diem, short-term cash incentive and reimbursement of allowances, as appropriate.

In its May 2009 Annual Shareholders' Meeting, the shareholders approved director compensation at a fixed annual retainer fee of PhP240,000 per Board Director per calendar year, and a fixed per diem of PhP20,000 for each Director serving as a Board Committee Chairman or Committee Member for every Board Committee meeting held and attended.

There has been no change or increase in Board per diem or retainer fees since then.

When appropriate, the Board approves, upon recommendation of the Compensation and Remuneration Committee, short-term corporate performance-based bonuses for Board Directors.

Our Amended By-Laws prescribe a limit on the aggregate amount of Director bonuses, which shall not exceed 2% of the Company's profit before tax during the previous year.

Meanwhile, the limit to total yearly compensation package of Directors, including bonuses, shall not exceed 10% of the Company's net income before tax during the previous year.

In 2014, the aggregate amount of cash bonus variable pay related to the preceding year's financial performance and total compensation package received by Executive and Non-executive Directors, including Independent Directors and the CEO, did not exceed the abovementioned limits set by the Company's Amended By-laws.

Details of Director compensation are disclosed in relevant sections of our SEC 20-IS (Information Statement), Form 17-A (Annual Report) and Annual Corporate Governance Report.

Executive Succession Planning

Our commitment to leadership continuity is embodied in our Board-approved Executive Succession Plan policy, which ensures the stability and accountability of the Company to its stakeholders.

This policy covers the assessment of leadership needs and preparation for an eventual permanent leadership change.

It also outlines succession procedures for the CEO, including the process of appointment and time frame in case of an interim leadership. The time frame for appointing a board transition committee and its roles (e.g. communicating to key stakeholders) is likewise defined in the Executive Succession Plan policy.

In addition to this policy, we also have succession processes to ensure leadership continuity at key positions in the Company.

We shall develop a pool of candidates and encourage the professional advancement of our current employees by identifying leadership gaps and assessing potential candidates based on their strengths, developmental needs and readiness for the position. After which, we will provide these employees with the training and support they need to assume more challenging roles in the organization.

Chief Executive Officer and Chief Operating Officer Performance Evaluation

The Board conducts annual performance reviews of the CEO and COO based on key result areas, which consist of Board-approved financial and non-financial performance metrics.

The Chief Governance Officer administers the performance evaluation process, tabulates the rating results and summarizes the evaluation comments.

Evaluation results are submitted to and/or discussed with the CEO, COO, Nomination and Election Committee, and Compensation and Remuneration Committee, for proper disposition or action.

In 2014, the Board evaluated the performance of the CEO and COO in the preceding financial year.

CEO and COO Balanced Scorecard

a. Financial Metrics
Business and Operational objectives

b. Non-Financial Metrics
Strategic objectives, governance, risk management, internal controls and processes, business development and corporate social responsibility

Board Performance Evaluation

The annual performance evaluation process of our Board covers the full Board and individual peer director appraisal.

The formal questionnaire for the full Board self-assessment includes the Board responsibilities, structure, meetings, processes, and management support.

Meanwhile, the individual director performance evaluation areas take into account leadership, interpersonal skills, strategic thinking and participation in Board meetings and committee assignments.

Full Board and peer director evaluations are administered, compiled and reported by the Chief Governance Officer annually.

Aside from the overall rating results, the highlights of the Board's strengths and areas in need of attention are relayed by the Chief Governance Officer to the Board. Private feedback based on peer assessments is likewise provided to each Director.

Board Committees and Appraisal

To support the performance of its fiduciary functions, our Board established three (3) good governance Committees, namely: Nomination and Election Committee, Compensation and Remuneration Committee, and Audit Committee.

(As a subsequent event, the Board approved on 6 March 2015 the creation of a separate Board-level Risk Committee to enhance oversight of our Company's risk management function.)

Committee Performance

Our Committees are guided by Board-approved Charters in the discharge of their roles and oversight responsibilities. These Charters are disclosed in our website at www.semiraramining.com.

All three Board Committees are composed mostly of Independent Directors. Their majority membership is meant to enhance the key oversight function of the Board.

Every year, the Board Committees review their respective Charters for effectiveness, and endorse changes, if any, to the Board for its approval.

The Corporate Secretary, Chief Governance Officer and Legal department provide full support to our Board and good governance committees.

The Board Committees conduct annual reviews of the effectiveness of the Committees' performance using formal self-assessment questionnaires. The questionnaires are based on their respective Charters and benchmarked against best practices. Results of the review are discussed by the Committee and handled accordingly.

In 2014, all Chairmen and Members of the Board Committees attended the Annual Shareholders' Meeting (ASM) to address possible queries on matters relating to their respective Committees.

Nomination and Election Committee

The Nomination and Election Committee (NOMELEC) has three (3) members, chaired by an Independent Director (ID) with majority membership of IDs in consonance with best practices.

The main function of the Committee 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.

It reviews each Director's continuation on the Board every year, taking into account meeting attendance, participation and contribution to the Board.

Aside from Board and Director performance and development, the Committee also oversees executive succession planning for the Company and its subsidiaries.

The Committee held three (3) meetings in 2014, with full Committee attendance on 26 February 2014, and with a quorum of two Members (Victor C. Macalincag and Isidro A. Consunji) in 2 September and 6 November 2014. Its oversight focused on the following areas:

Nomination and Election Committee Members

Chairman: Victor C. Macalincag
Independent Director

Members:
Isidro A. Consunji
Chairman and CEO

Rogelio M. Murga
(appointed 11 November 2014)
Independent Director

Federico E. Puno
(deceased 11 October 2014)
Independent Director

Nomination and Selection	Executive Succession Planning and Leadership	Board Performance and Development
• With the assistance of the Corporate Secretary, reviewed the nomination process, criteria, qualifications and final selection of Board nominees for directorship to ensure that they meet the requisite qualifications. • Deliberated and endorsed the appointment of Rogelio M. Murga as Independent Director, taking into account his qualifications, experience, knowledge 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. • Reviewed and endorsed changes in the roles, membership and leadership of the Board and its Committees.	• Together with senior management, discussed and reviewed the organizational development program, executive succession planning and leadership needs of the Company and its subsidiaries. • Discussed movement in SMPC Group's key officers.	• Lead the annual appraisal of the full Board and individual Board Director performance to assess Board effectiveness. • Supported the continuing education and development needs of the Board and key officers, as part of the continual review and improvement of Board performance effectiveness. • Ensured and led Board orientation with Senior Management to familiarize the new Independent Director with SMPC Group's strategic plans, financial and operating performance, significant milestones and corporate governance matters. • Exercised oversight of the continuing professional development of Board Directors and key officers through their memberships in professional organizations, compliance and participation in corporate governance seminars and forums.

Board Nomination, Selection, Appointment and Re-election

The selection of strong Directors is critical for successful governance and sustainability.

To assist the Board during this process, the Nomination and Election Committee follows the following procedures and criteria:

Procedure	Process Adopted	Criteria
Executive Directors	Executive Directors are appointed during the organizational meeting of the Company by the members of the Board of Directors	Directors must possess all the qualifications and none of the disqualifications of Directors, as stated in our By-Laws and all qualifications/ disqualifications under the Revised Code of Corporate Governance. Directors are chosen based on their track record and performance, skills, industry experience and expertise that meet the needs of the Board and are aligned with the Company's strategy.
Non-Executive Directors	Every March (prior to the Annual Meeting on the 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 NOMELEC.	-do-
Independent Directors	Every March (prior to the Annual Meeting on the first Monday of May) of each year, Independent Directors (ID) are nominated and the final list of nominees is prepared. There must be at least 2 IDs, or 20% of the board size, whichever is less. Only those whose names appear in the final list shall be eligible for election at the Company's ASM. The final list goes through the selection process by the NOMELEC. Subject to the five-day written notice to the SEC, any vacancy due to resignation, disqualification or cessation from office shall be filled by vote of at least majority of the remaining directors, if there is still quorum upon the nomination of the NOMELEC. Otherwise, the said vacancy shall be filled by the stockholders in a regular or special meeting called for that purpose.	Must possess all the qualification and none of the disqualifications of directors under Company's By-laws; Guidelines under the Revised Code of Corporate Governance and SEC Memorandum Circular No. 9 IDs are chosen based on their track record and performance, skills, industry experience and expertise that meet the needs of the Board and are aligned with the Company's strategy.

Compensation and Remuneration Committee

The Compensation and Remuneration Committee has three (3) Board Directors, chaired by an Independent Director (ID) with majority membership of IDs in consonance with best practices.

The main function of the Committee is to establish a formal and transparent procedure for developing a remuneration policy for Directors, officers and key employees, consistent with the Company's culture, strategy and control environment.

Every year, it reviews and recommends for Board approval the remuneration for Directors.

Remuneration is set within the maximum level indicated in the Company's Amended By-Laws, and as approved by the shareholders.

The Committee also reviews compensation-related disclosures of Directors and Executives in the Company's annual and related reports, in accordance with regulatory requirements and reporting standards.

It likewise requires new Directors and Officers to declare a full business interest disclosure of all their existing interests or shareholdings that may directly or indirectly cause conflict of interest in the performance of their duties.

As per its Charter, the Committee engaged, at the Company's expense, the services of Rodolfo C. Salazar. As key consultant, he will advise and assist the Committee in its oversight responsibilities, while aiding Management in its strategic priorities. He is required to formally disclose any financial, business or personal interests in an Annual Disclosure Statement.

In 2014, the Committee conducted two (2) meetings, which were attended by all Members in 26 February and with a quorum of two Members (Victor C. Macalincag and Ma. Cristina C. Gotianun) in 6 November.

During the year, the Compensation and Remuneration Committee performed oversight of the following functions, among others:

Compensation and Remuneration Committee Members

Chairman:
Victor C. Macalincag
Independent Director

Members:
Ma. Cristina C. Gotianun
Executive Director
Executive Vice President

Rogelio M. Murga
(Appointed 11 Nov 2014)
Independent Director

Federico E. Puno
(Deceased 11 Oct 2014)
Independent Director

Board Remuneration	Executive Remuneration	CEO & COO Performance Appraisal	Corporate Governance
• Reviewed the Director remuneration level and framework against market and ASEAN Corporate Governance Scorecard best practices. • Recommended to the Board a performance variable pay for the past financial year, based on the achievement of the Company's business objectives.	• Discussed significant updates on executive compensation levels and compensation programs to ensure alignment with the Company's compensation strategy, sustainable business and pay-for-performance culture, as well as link to risk management of attraction and retention risks.	• Reviewed and recommended reward levels for the CEO and COO based on the results of the Board's evaluations of their overall performance • Reviewed and discussed results of the Board's evaluations of the CEO's and COO's performance, based on Board-approved Balanced Scorecard and key result areas encompassing financial and non-financial performance metrics linked to strategic and business objectives, including business development, risk, controls, governance and corporate social responsibility.	• Reviewed and discussed jointly with the Nomination and Election Committee the Full Business Interest Disclosure of incoming Independent Director prior to endorsement for Board appointment. • Reviewed the compensation-related disclosures of Directors and Executives in the Company's annual reports and information statements per regulatory requirements and reporting standards.

Audit Committee

The Audit Committee has three (3) Board Directors, majority of whom are Independent Directors.

Function and Responsibilities

The main function of the Committee is to assist the Board in the discharge of its oversight responsibilities over the financial reporting, external audit performance, internal audit function, internal control and risk management processes of the Company.

It also helps the Board ensure compliance in reporting, legal and regulatory requirements.

The appointment, re-appointment and removal of the external auditor is a primary responsibility of the Committee.

Qualifications

The 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. They also have adequate understanding of the mining business and related industries of the Company.

The Independent Directors have prior extensive working experiences and held key positions in various private, government, and government-owned and controlled corporations.

Meetings

Committee Meetings are scheduled at appropriate points to address matters in a timely basis.

For every Audit Committee Meeting, written agenda and materials are distributed in advance to facilitate meaningful review and discussion during meetings. Minutes of the Committee meetings are provided to the Board.

The Compliance Committee, Chief Governance Officer/Compliance Officer and the management team of Finance, Legal, Internal Audit, and officers of power subsidiaries are regularly invited to Committee Meetings to discuss updates in regulatory developments, financial reporting, taxation and compliance matters.

In 2014, the Audit Committee convened on the following dates:

Audit Committee Member	29-Jan	3-Mar	7-May	16-Jun	4-Aug	12-Sep	20-Oct	6-Nov	15-Dec	TOTAL	%
Victor C. Macalincag Chairman Independent Director	✓	✓	✓	✓	✓	✓	✓	✓	✓	9/9	100%
Victor A. Consunji Executive Director	✓	✓	✓	✓	✓	✓	✓	✓	✓	9/9	100%
Federico E. Puno Independent Director	✓	✓	✓	✓	✓	X	* Deceased 11 October 2014			*5/6	83%
Rogelio M. Murga Independent Director			**Appointed 11 Nov 2014**						✓	1/1	100%

Performance

The Committee reviewed and discussed the financial performance, annual budget, strategic issues, equity investments, risk management, conflict of interest, related party accounts, tax planning, equity issues and market/industry developments of the Company.

In 2014, the Committee assisted the Board in its oversight of the following functions:

Financial Reporting Process and Financial Statements	External Audit	Internal Audit
• Reviewed, approved and endorsed for Board approval the quarterly unaudited and annual audited consolidated financial statements • Ensured that financial statements are in accordance with the required accounting and reporting standards • Reviewed the adequacy of financial reporting disclosures, including significant related party transactions to provide a transparent and fair view that meets shareholder needs	• Discussed and approved the external audit work engagement, scope, fees and terms • Discussed with SGV & Co. and Management significant financial reporting issues, audit observations, and overall quality of the financial reporting process, as well as regulatory updates in financial and tax reporting • Recommended to the Board the reappointment of SGV & Co. as external auditor in 2015 based on SGV's performance, independence, qualifications and with due regard to Management's feedback • Reviewed and approved the Management representation letter before submission to SGV & Co. to ensure all representations are in line with the understanding of the Committee	• Reviewed and approved Internal Audit's annual plan based on a risk-based approach • Ensured that Management was provided adequate resources to support the function and maintain its independence • Met in executive sessions to review and discuss Internal Audit's assurance and advisory work during the year
Internal Control	**Risk Management**	**Compliance with Regulatory and Legal Requirements**
• Reviewed and discussed with Management, SGV & Co., Internal Audit and Compliance Committee the results of assurance reviews on controls and compliance issues, and ensured Management responded appropriately for the continuous improvement of controls and processes.	• Discussed with Management and Internal Audit the results of risk reviews and identified key risks to the Company's mission and strategic objectives, ensuring the adequacy and effectiveness of the Company's Enterprise-wide Risk Management framework, risk management processes, systems, mitigation measures, monitoring and reporting.	• Discussed and reviewed with the Compliance Committee significant updates and actions on SEC, PSE, legal, tax, claims, litigations, environmental, safety and other regulatory matters

The 2014 Audit Committee Report to the Board of Directors is included in the Consolidated Financial Statements section of the Integrated Annual Report.

Criteria for Reviewing Related Party Accounts

- Fairness
- Materiality
- Commercial reasonableness of the terms
- Extent of conflict of interest (actual or apparent) of the related party

Related Party Transactions Oversight

Following the Board-approved Related Party Transaction (RPT) Policy, the Audit Committee shall assist the Board in its review of RPTs. The Committee may establish guidelines to manage and monitor conflict of interest of Management, Board Directors and shareholders, including misuse of corporate assets and abuse in RPTs.

In its quarterly review of financial statements, the Committee also examines related party accounts against a number of factors (criteria).

Our RPT Policy requires IDs to review material/significant RPTs that meet the threshold level stipulated by regulatory requirements on material RPTs to determine if such RPTs are in the best interests of our Company and shareholders. RPTs are described and fully disclosed in Note 18 of Notes to Consolidated Financial Statements.

In 2014, the Committee ensured that such RPTs are ordinary in the course of our business, under reasonable terms and did not include financial assistance or loans to Board Directors, affiliates or related entities, which are not wholly-owned subsidiaries.

Committee Performance Assessment

As defined in the Audit Committee Charter, the Committee shall annually conduct a self-assessment of its own performance using a formal questionnaire with defined quantitative rating and corresponding qualitative description for such rating.

In 2014, the Committee conducted, and reported to SEC, the results of its self-assessment and rating of its performance. The self-assessment indicated an overall compliance level in consonance with SEC guidelines on effectiveness of Audit Committee performance.

Internal Controls and Risk Oversight

The Board of Directors is responsible for the internal controls and risk management systems of our Company.

In 2014, the Audit Committee assisted the Board on its oversight of these functions and reported in its separate Committee Annual Report to the Board in the financial statement section.

Our Company adopts the Three Lines of Defense in Effective Risk Management and Control. Our risk management policy, processes and systems are further described in the Risk Management section of this Integrated Annual Report.

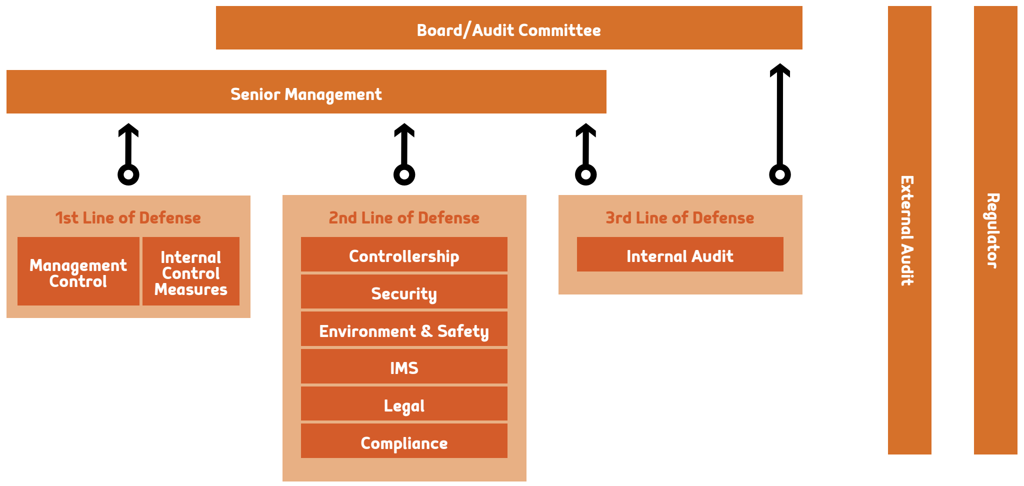
To exemplify the importance of the risk management function and continual improvement thereof, our Board subsequently approved in March 2015 the creation of a separate Board-level Risk Committee and a Risk Committee Charter.

Board's Statement on Adequacy of Internal Controls and Risk Management Systems

Based on the assurance work performed by the Internal Audit and external auditor, reviews, reports and oversight duties performed by the Board's Audit Committee, the Board is of the opinion that the Company's internal controls and risk management systems are adequate and effective.

The 2014 Board's Statement is included in the Consolidated Financial Statements section of the Integrated Annual Report.

The Three Lines of Defense Model



Framework adopted from the Institute of Internal Auditors Position Paper: *The Three Lines of Defense in Effective Risk Management and Control*

IA PROVIDES INDEPENDENT AND OBJECTIVE ASSURANCE SERVICES.

Internal Audit

The IA provides the Audit Committee and Management with independent and objective assurance and consulting services on the business processes, controls, governance and risk management practices of SMPC and its subsidiaries

Our IA follows a systematic and disciplined approach to determine whether Company policies, relevant laws and governing regulations are upheld across our organization.

IA Function

The IA, led by IA Managers, Karmine Andrea B. San Juan and Carla Cristina T. Levina, functionally reports to the Audit Committee.

IA is guided by a Board-approved Internal Audit Charter and adopts a risk-based audit approach aligned with the professional auditing standards as mandated by SEC's Revised Code of Corporate Governance and as set by The Institute of Internal Auditors (IIA).

It periodically reports to the Audit Committee the status of its audit activities in relation to its approved annual audit plan, including the significant results of the audit. Further, IA annually attests to the Board whether a robust internal audit, control, risk and compliance system is in place and working effectively within the Company.

The appointment, performance evaluation and replacement of the internal auditors requires the approval of the Audit Committee.

In 2014, IA implemented an Audit Management System supporting its key activities - risk based planning, use of electronic working papers, follow-up of management action plans, conduct of audit quality surveys and key IA administration activities.

IA Performance

IA's Quality Assurance and Improvement Program (QAIP) aims to provide assurance on the audit quality and value-added services to its stakeholders, as well as to ensure operating efficiency and effectiveness of its organization and resources.

Formal IA policies and procedures ensure adherence to IIA Standards. IA conducts an annual internal assessment of its own performance against the IA Charter and the IIA Standards, the results of which are reported annually to the Audit Committee.

Audit quality feedback is obtained through a formal survey upon completion of an individual engagement to assess IA's effectiveness in meeting the needs of its audit clients and to identify opportunities for improvement.

In 2014, the Audit Committee reviewed IA's overall performance based on IA's primary mandate of reassurance and value protection, and also in providing added value through consulting services and business risk insights.

The assessment aims to seek continual improvement of the function's strategic role, independence and effectiveness using a formal checklist covering areas on IA's responsibilities and accountability, charter, organization structure, skills, experience, communication and quality performance.

IA Professional Development

The Company supports IA's continuing professional education and career development through memberships in professional organizations such as IIA, Information Systems Audit and Control Association (ISACA), Philippine Institute of Certified Public Accountants (PICPA), Association of Certified Fraud Examiners (ACFE), and through participation in external and in-house trainings and seminars.

In 2014, IA attended relevant seminars, conferences and technical sessions from ISACA, IIA and ACFE, covering topics of risk-based audit, consulting activities, IT audit and security and fraud awareness.

External Audit

An external auditor examines our accounting records to make sure that our financial statement meet government and regulatory requirements.

The Audit Committee oversees the external audit function on behalf of the Board. Its oversight covers the review and approval of the appointment, reappointment or replacement of external auditor, audit work engagement, scope and related fees, among others.

SyCip, Gorres, Velayo & Co. (SGV) served as our external auditor in 2014. Since 2012, Ms. Cyril Jasmin B. Valencia has been assigned as the Assurance Partner-In-Charge, in compliance with SEC regulation that requires audit partner rotation every five years to ensure independence.

No Director or Key Officer is a former employee or partner of the current external auditor in the past two years.

Total fees for audit and non-audit services paid to our external auditor in 2014 are as follows:

External Auditor	Audit Fees	Non-audit Fees
SGV & Co.	PhP4.9 M, including Subsidiaries' audit fees 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.

AWARDS AND RECOGNITION

Top 50 Philippine PLCs 2014 ASEAN Corporate Governance Scorecard (ACGS) Run
Included in the Top 50 Philippine Publicly-Listed Companies (PLCs) in the 2014 ACGS Run, based on the review conducted by the Institute of Corporate Directors (ICD), which was tasked by the Securities and Exchange Commission (SEC) as the ranking body to submit the ACGS scores of PLCs for SEC evaluation. The ACGS is a corporate governance rating of a PLC's governance policies and practices based on the five OECD Principles of Corporate Governance.

SEC is the official Philippine representative to the ASEAN Capital Markets Forum (ACMF), along with Singapore, Thailand, Indonesia, Malaysia and Vietnam. The ACGS is adopted by ACMF in preparation for the eventual unified capital market for ASEAN PLCs in 2015.

FinanceAsia's Best Philippine Companies 2014 - 4th Most Committed to a Strong Dividend Policy
Voted as one of the companies Most Committed to a Strong Dividend Policy in the Philippines by investors and analysts in FinanceAsia's 14th annual Best Companies in Asia Poll in 2014. FinanceAsia is a Hong Kong-based print and online publication on Asia's financial and capital markets.

FinanceAsia's Best Philippine Companies 2014 - 9th Best Corporate Social Responsibility
Adjudged as one of the companies with the Best Corporate Social Responsibility in the Philippines by investors and analysts in FinanceAsia's 14th annual Best Companies in Asia Poll in 2014.

FinanceAsia's Best Philippine Companies 2015 - 10th Best Corporate Governance
Recognized as one of the companies with the Best Corporate Governance in the Philippines by investors and analysts in FinanceAsia's 15th annual Best Companies in Asia Poll in 2015.

RISK MANAGEMENT

Our Enterprise Risk Management (ERM) framework is guided by leading international practices and the ERM - Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

AT SEMIRARA MINING AND POWER CORPORATION, IDENTIFYING AND MANAGING RISKS THAT AFFECT OUR BUSINESS IS A FUNDAMENTAL ACTIVITY EMBEDDED IN OUR INTERNAL PROCESSES.

THE NATURE OF OUR BUSINESS COMPELS US TO TAKE AN INTEGRATED AND BALANCED APPROACH TO RISK AND REWARD, SO WE CAN MEET THE REQUIREMENTS OF OUR STAKEHOLDERS, MITIGATE THE IMPACTS OF OUR OPERATIONS AND OPTIMIZE THE LONG-TERM VALUE OF OUR COMPANY.

RISK OVERVIEW

Our Enterprise Risk Management framework focuses on five main risk categories: Operational, Market, Strategic, Compliance and Reputation, and People and Talent.

Operational	**Market**	**Strategic**
Compliance and Reputation	**People and Talent**	

Operational Risk

Risk related to coal quality, supply chain, slope stability, operational efficiency and asset performance. It can originate from a wide range of internal or external events, or from suppliers and outsourced service providers.

Market Risk

Risk of financial loss due to market movements on price, demand and supply.

Strategic Risk

Risk that arises from the fundamental business decisions, improper formulation and implementation of strategy regarding the achievement of our organizational objectives. Covers business and non-business risks as they relate to our expansion, sustainability and long-term value. Includes investment risks with impact on capital allocation, equity investment and guarantees in subsidiaries.

Compliance and Reputation Risk

Risk of legal and regulatory sanctions, material financial loss or reputational harm because of failure to comply with relevant and applicable laws, regulations, codes of conduct, and best practice standards.

People and Talent Risk

Risk related to key people movement, talent management and war of talent.

Based on our regular risk reviews, these risks could impede our ability to achieve our strategic and business objectives. Risk assessments also consider external, new regulatory and/or emerging risks that may have potential impact on SMPC's overall strategy map.

To identify and assess our risks, department heads regularly evaluate our business risks, which are then summarized and reported annually to the Audit Committee and the Board of Directors. Our Board subsequently approved the creation of a separate Board-level Risk Committee and Risk Charter on 6 March 2015 to enhance oversight and exemplify the importance of the risk management function.

Top Risks

Of the five risks identified, we consider operational risk as our topmost concern in achieving our strategic priorities. To manage such risk, we have in place the appropriate risk-mitigating initiatives and internal controls.

Risk Exposure	Risk Management Strategy
1. Operational Risks: • Coal Quality and consistency • Supply Chain • Evolving Natural Catastrophe (e.g. earthquake, tsunami), environment (typhoon, storm surge, flooding, landslide), slope stability • Asset Performance	1. In-situ determination of coal quality for proper blending 2. Implement ISO Integrated Management System 3. Adopt sparing system for critical parts, maintenance of spare inventory of parts with long order lead time, among others 4. Expand exploration drilling 5. Mine management system 6. Reconnaissance program for new coal concessions 7. Adhere to mine safety standards for open pit mining 8. Implement Business Continuity Management System 9. Risk transfer through insurance cover for physical assets 10. Engage Original Equipment Manufacturer for improved plant efficiency and performance 11. Establish Enterprise Asset Management System (EAMS), Policy, Process and Plan 12. Optimization of power plant parameters through Distribution Control System and EAMS 13. Advanced training programs for Power Plant personnel
2. Market risks • Price Volatility • Market Dependence • Shift in Demand	1. Offer higher coal quality, better prices or larger guaranteed supply volumes 2. 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. 3. Diversify customer base 4. Implement forward integration from coal to power generation 5. Maintain competitive production cost compared to alternative fuel
3. Strategic risks • Capital Allocation • Project Management • Guarantees in subsidiaries	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 engineers 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 its equity share in the project 6. Fund through Project Financing
4. Compliance and Reputation risks • Contractual Breach • Loan Covenants • Laws/Regulations/Reputation	1. Require Legal review for all contracts and 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.
5. People and Talent risks	1. Establish robust Talent Development and Succession Planning programs 2. Strengthen alignment between pay and performance that considers appropriate risk taking behavior and corporate values 3. Benchmark of Compensation and Benefits programs 4. Partner with TESDA (government) - accredited Technical Training Center on-site

ENTERPRISE RISK MANAGEMENT POLICY AND PROCESS

Our Enterprise Risk Management (ERM) policy aims to maximize strategic and business opportunities while minimizing adverse outcomes using an effective balance of risks and rewards. In doing so, we optimize shareholder value and ensure sustainable growth.

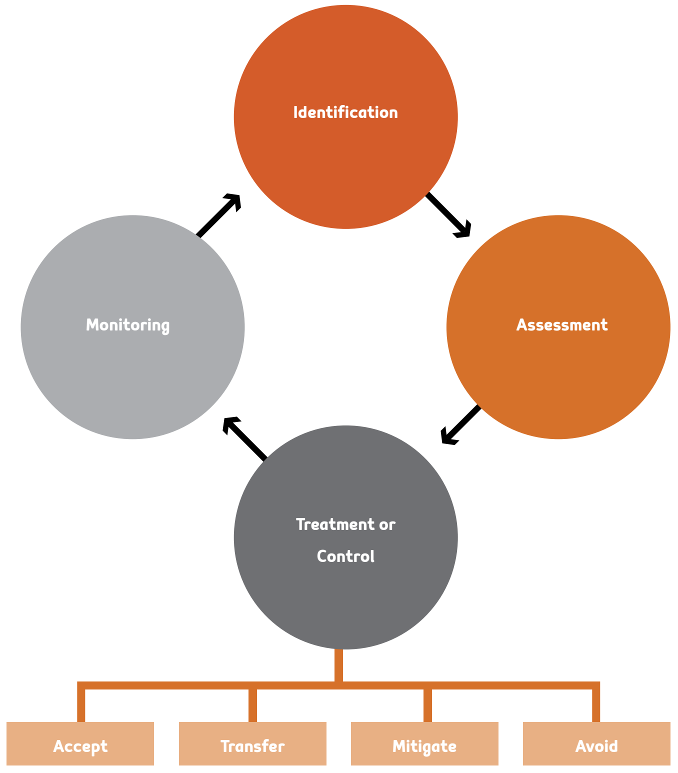
In managing our risks, we follow a risk identification and assessment process that highlights the top or significant risks that may affect our business units. Such risks are then assessed on an "inherent" and "residual" basis to determine our gross (conservative) and net exposure.

Risk treatment or control may involve selecting one or more options (i.e., accept, transfer, mitigate or avoid) for addressing the identified risks.

Appropriate risk treatment or responses for those "High" risks shall be reviewed by the Board against established risk appetite levels.

Monitoring shall be done to ensure the effective and efficient implementation of the identified risk treatment.

The Chief Executive Officer also meets regularly with the Management Committee to discuss the most critical enterprise-wide level risks, and ensure integrated responses to such risks. Opportunities associated with the identified risks are likewise managed for strategic advantage.



ERM KEY GUIDING PRINCIPLES

Our ERM framework is guided by international leading best practices and the Committee of Sponsoring Organizations of the Treadway Commission or COSO's ERM-Integrated Framework, which provides a Group-wide disciplined approach through the adoption of six key guiding principles. We believe that risk management is:

Integral	Part of Decision-Making	Explicit in Addressing Uncertainty
It is not separate from our organizational processes. It is part of strategic planning, project management and change management processes.	We prioritize actions and make better, more risk-informed choices with risk/reward trade-offs.	It explicitly addresses uncertainty, taking into account the nature and management of a particular risk.
Transparent	**Dynamic**	**Continually Improving**
There must be continuous communication of risks and their interdependencies in cross-functional areas. Management of risks should also be proactive throughout the organization.	It is dynamic and responsive to change brought about by external and internal events/ developments, knowledge change, etc.	It facilitates continual improvement of risk practices to enhance risk governance and maturity.

RISK AND CONTROL ASSESSMENT

A key component of our ERM process is our Risk and Control Self-Assessment (RCSA), as it allows us to integrate risk identification and risk management efforts.

This process also helps improve organizational understanding, control and oversight of departmental business risks because it provides a systematic means of identifying control gaps and monitoring management actions to close such gaps.

Through RCSA, the Internal Audit Department facilitates a "bottom-up' risk assessment approach to identify risks at the tactical level.

Meanwhile, a "top-down" Risk "Self-Assessment (RSA) is done during the annual strategic planning sessions of the Company.

Both upside (opportunity/positive risk) and downside (loss/negative risk) business risks are considered in this process to determine the appropriate response or action plan to manage risks in accordance with the risk appetite of the Board.

Results of unit risk reviews are summarized and reported by the business units to the Audit Committee for assurance reporting that significant risks are effectively managed or mitigated.

Business units drive the implementation of risk management processes, which are embedded in their performance management measures, annual planning and budgeting.

Risk-related practices include continual review and enhancement of business processes and mitigation measures, updating of control procedures and financial reporting system, among others.

RISK GOVERNANCE AND APPETITE

The Board sets the tone and establishes the risk appetite level for our Enterprise Risk Management (ERM).

This is applied across the organization to provide reasonable assurance that risks are identified, assessed, managed, monitored, communicated and consistent with the strategic and business objectives of the Company.

Our risk governance structure gives due regard to the Three Lines of Defense in Effective Risk Management and Control of the Institute of Internal Audit, which focuses on risk ownership, controls, compliance and assurance activities.

Our Audit Committee assists the Board in risk management oversight to ensure that an adequate and effective risk management system is in place. Risk management of significant risks, project risks and emerging risks are regularly reported to the Board.

Management and risk owners support, implement, monitor and report ERM processes and policies in their day-to-day business activities.

Mr. Arnel P. Jadormio, a mining engineer, has been appointed as Mining Risk Officer, to supervise the implementation, reporting, monitoring and enhancement of the ERM process in our Mine Site.

WE OPERATE WITHIN AN OVERALL LOW-RISK RANGE IN THE PURSUIT OF OUR OBJECTIVES, WITH THE LOWEST RISK APPETITE FOR RISKS RELATED TO OPERATIONS AND ZERO TOLERANCE FOR FATALITY.

RISK MANAGEMENT INITIATIVES

We undertake a number of initiatives to further strengthen our risk management capabilities and align our operations with our risk tolerance and stakeholder priorities.

Integrated Management System
Since 2008, we have adopted the quality systems and principles of the International Organization for Standardization (ISO) to better manage the key risk areas for our coal mining operations.

These management systems help ensure the continual improvement of our policies in the areas of quality, health and safety, environment and community relations.

Emergency Preparedness and Response (EPR) Program
We have identified potential accidents and emergency situations, and established appropriate preparedness and response procedures.

These procedures include preventive actions and where appropriate mitigation protocols for the environmental impacts and/or risks that may be associated with unplanned events, accidents and emergency situations.

At least once a year, we conduct building evacuation, landslide, fire and earthquake drills. Our drills are evaluated by the designated government agency to test the effectiveness of our exercises.

Emergency preparedness and response procedures are evaluated periodically to ensure full understanding and observance among our employees. Regular reviews are also done to identify and address areas for improvement.

Business Continuity Management System
We developed a Business Continuity Management System (BCMS) to facilitate our early business recovery and continuity of critical services, in the event of an anticipated or unplanned disruption that might be (or could lead to) a business loss, emergency or crisis. Emergency Response Plans (ERPs) were also reviewed by a third-party consultant to ensure their appropriateness.

Our BCMS follows a holistic framework that is based on ISO 22301:2012, the Societal Security-BCMS-Requirements. It also includes business impact analyses, risk assessment and risk treatment action plans.

We also routinely conduct business impact assessment workshops and awareness trainings across our organization.

Engr. George G. San Pedro, Vice President for Operations, and Mr. Jaime B. Garcia, Vice President for Procurement and Logistics, are the Business Continuity Planning (BCP) Directors for the Mine Site and Corporate Office, respectively.

Meanwhile, Atty. John R. Sadullo, Vice President for Legal, serves as the BCP Communications Coordinator. A member of the Executive Group, he works closely with BCP Coordinators to develop and deliver accurate information to the public during potentially disruptive events.

Through our crisis management and business continuity processes, we aim to build organizational resilience and the capability to effectively safeguard and respond to the interests of our stakeholders.

Information Technology (IT) Risk Management
As part of our risk management of IT vulnerabilities from potential malicious threats, we have implemented security solutions to protect our critical information resources.

In 2014, we engaged a third-party assurance firm to perform a technical security assessment of our IT environment.

The assessment included external vulnerability assessment and penetration testing of critical system resources that are visible to the Internet. A review of our network architecture design was also undertaken.

We also implemented remediation of the noted vulnerabilities to strengthen our information security.

We maintain two back-up servers, one at a designated Disaster Recovery "Cold Site" and another at our Makati Corporate Data Center, as part of our Information and Communication Technology Disaster Recovery program.

Financial Risk Management
Our financial risk management is geared towards sound and prudent allocation of financial resources to fund investments and expansion activities, maintain healthy financial ratios and ensure appropriate returns to shareholders.

We exercise a low-financial risk tolerance in funding sources and managing capital requirements, consistent with the established overall low-risk appetite of the Board.

Our financial risk management objectives and policies to effectively manage our financial assets and liabilities are discussed in Note 29 to Consolidated Financial Statements.

Risk Cover
We include risk transfer as risk treatment for risks relating to our mining equipment and fixed assets through Industrial All-Risk (IAR), Floater, Fire, Marine Hull and Aircraft Hull insurance covers.

This risk management strategy is similarly implemented through an IAR with Business Interruption cover for our power plant operations.

Meeting International Standards

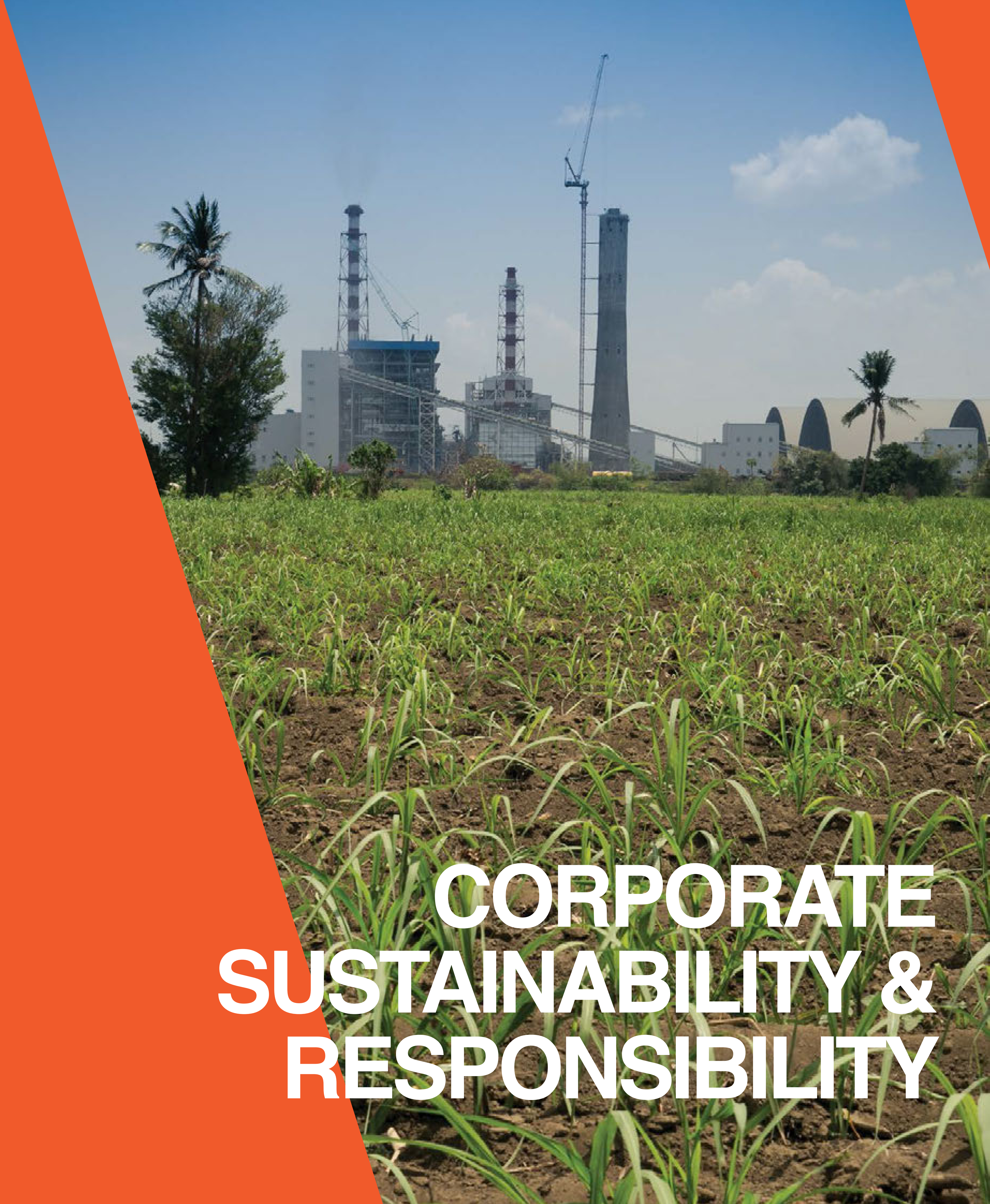
For the sixth straight year, the Governing Board of Certification International Philippines, Inc. (CIP) recommended the recertification of the Integrated Management System of our coal mining operations and support activities.

An external assessment body, CIP made the recommendation to the United Kingdom Accreditation Service, after finding our operations and activities in conformance with the International Organization for Standardization on Quality Management System (ISO 9001:2008), Environmental Management System (ISO 14001:2004) and Occupational Health and Safety Management System (OHSAS 18001:2007).

In July 2014, our operating power subsidiary SEM-Calaca Power Corporation was certified by SGS International, Inc. as conforming to the requirements of Quality Management System (ISO 9001:2008).

Our sustainability programs are geared towards creating long-term shareholder and employee value by harnessing resources in a manner that is optimal, responsible and respectful of our stakeholders.

As we strive to serve the energy demands of a growing economy, we will continue to conduct our business in accordance with our corporate values, business objectives, shareholder commitments and stakeholder duties.



CORPORATE SUSTAINABILITY & RESPONSIBILITY

OUR SUSTAINABILITY STRATEGY

WE BELIEVE IN THE CATALYTIC POWER OF COAL, AND RECOGNIZE THE IMPACT OF OUR OPERATIONS ON OUR STAKEHOLDERS.

THIS IS WHY OUR SUSTAINABILITY STRATEGY IS GEARED TOWARDS MAXIMIZING THE SOCIAL BENEFITS OF OUR BUSINESS, WHILE MITIGATING THE NEGATIVE IMPACTS OF OUR ACTIVITIES.

WE BELIEVE THAT THROUGH GOOD CORPORATE GOVERNANCE, SOUND PEOPLE MANAGEMENT, JUDICIOUS USE OF NATURAL RESOURCES AND ACTIVE COMMUNITY ENGAGEMENT, WE CAN ACHIEVE SUSTAINED AND INCLUSIVE GROWTH.

SUSTAINABLE GOVERNANCE

Good corporate governance is embedded in the way we develop our strategies, conduct our business and relate to those outside our Company.

We operate within a system of checks and balances, with a control structure designed to facilitate transparency, decision-making and accountability.

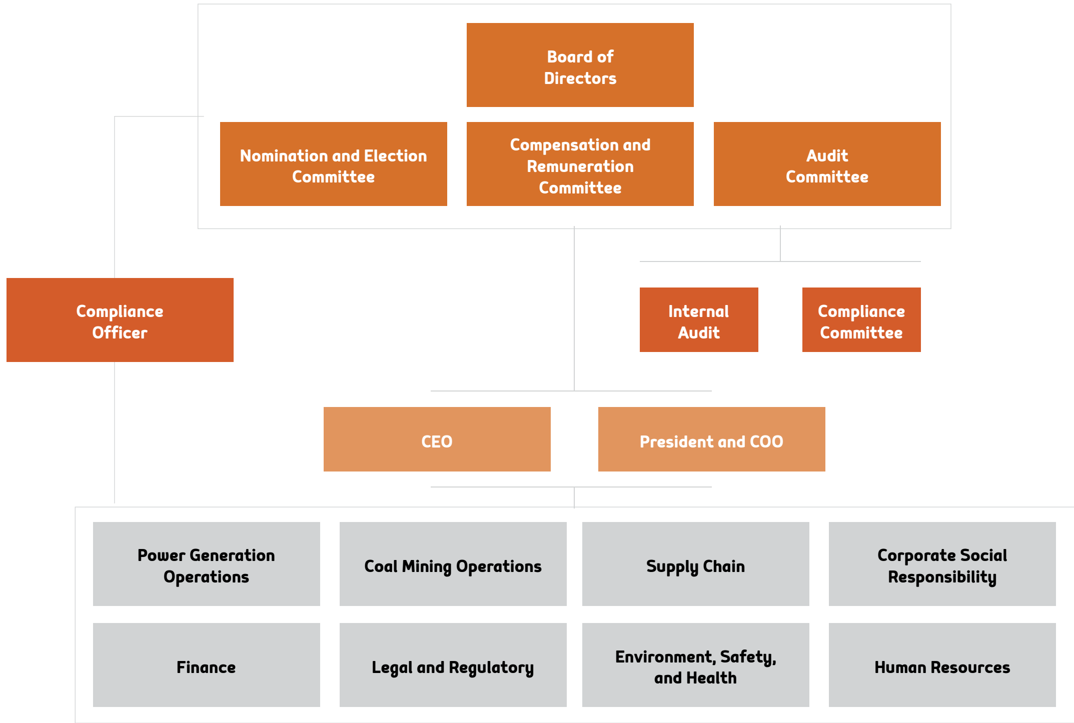
Governance Structure

We are governed by a Board of Directors who are elected for a one-year term during our Annual Shareholders' Meeting.

The Board has three committees, namely: the Nomination and Election Committee, Compensation and Remuneration Committee and Audit Committee. It also appoints the Key Officers of the Company, who perform management functions within designated areas.

A Compliance Officer, Internal Audit Team and Compliance Committee provide Management with internal control guidance and evaluation plans to ensure that business activities are conducted in accordance with existing laws, government regulations and company policies.

Governance Structure



Corporate Objectives

We have developed three strategies to meet our twin objectives of optimizing shareholder value and achieving sustainable inclusive growth.

Actual operating performance is reported and measured against a Board-approved budget, key financial and operating performance indicators, such as profitability, growth, liquidity, return on equity and production efficiency, among others.

Expansion activities and business development programs are regularly reported during Management, Audit Committee and Board meetings.

Continuing Growth	Value Creation	Value Protection and Sustainability
By establishing a quality management system for core production and sub-processes, we can achieve operational excellence and increase domestic shipments, thereby strengthening our market presence.	Expansion activities under our coal extraction and power generation operations, together with business development of allied products, will allow us to create value for our shareholders.	Capital and asset management through cost optimization, talent development and environment, safety and health (ESH) management, among others, can help protect and sustain generated value.

Good Governance Program

We firmly believe that good corporate governance enhances long-term shareholder value and business sustainability. Our policies, practices and other initiatives all contribute to forming a strong framework for good corporate governance.

Industry Association

We lead and actively participate in the promotion, development and growth of the local coal mining industry and ASEAN coal energy cooperation in the country, through our memberships in the Philippine Chamber of Coal Mines, Inc. and the AFOC National Committee of the Philippines, Inc.

Code of Conduct

Our Codes of Conduct for Directors & Executive Officers and Employees (Codes) affirm our standards of professional and ethical business conduct, workplace safety and environmental responsibilities.

The Codes reflect our corporate values of teamwork, excellence, loyalty, integrity, commitment and professionalism.

They also provide policies and guidelines on the observance of law, respect of the environment, safety, insider trading, fair dealings, confidentiality of information, accounting and financial reporting integrity, corporate and charitable giving, among others.

The Audit Committee administers the Code of Conduct for Directors and Executive Officers, while the Human Resources Management is primarily responsible for implementing and administering compliance to the Employee Code of Conduct.

We observe due process and procedures in the implementation of the provisions of the Codes at all times. Sanctions such as reprimand and/or suspension are imposed, as appropriate.

We regularly conduct Codes orientation and reorientation to new/existing employees and full-time service providers, as part of our culture-building, corporate values reinforcement and ethical conduct.

All 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.

Our principal contractors and consultants, in the course of fulfilling their contractual duties to the Company, are likewise expected to adhere to the provisions of the Codes.

The Codes are available in our intranet and website, to facilitate stakeholder access.

Corporate Governance Training

The Board Directors, Officers and key Legal staff have participated, and are encouraged to participate, in trainings and updates on Corporate Governance and compliance-related topics.

Subsidiary Good Governance

Our operating subsidiary, SEM-Calaca Power Corporation (SCPC), has adopted our Board-approved Code of Corporate Governance as its overall corporate governance framework.

To assist the SCPC Board in its oversight functions, our two (2) Independent Directors are appointed to our subsidiary Board.

The SCPC Board also has good governance committees, namely, Audit, Compensation & Remuneration and Nomination & Election Committees. The Committees are guided by respective, Board-approved Committee Charters.

SCPC also adopted good governance initiatives, such as the Code of Conduct and Business Ethics, Business Interest Disclosure, Related Party Transaction Policy and ERM Policy, among others.

PEOPLE MANAGEMENT

Our people are the backbone of our Company, and we support initiatives that will promote their welfare, development and empowerment.

To achieve higher levels of organizational efficiency and productivity, we have a talent management program that is grounded on our core values, and a remuneration system that is benchmarked against industry standards.

Workforce Demographics and Diversity

The total operating workforce of Semirara Mining and Power Corporation, SEM-Calaca Power Corporation and Southwest Luzon Power Generation Corporation reached 3,046 in 2014.

Most of the workforce are based at our coal mine site in Western Visayas, followed by our power plant sites in Calabarzon. Only a very small segment of our workforce is based in the National Capital Region.

Across all employment categories, majority of our workforce members are males. The same applies to both our mining and power workforce.

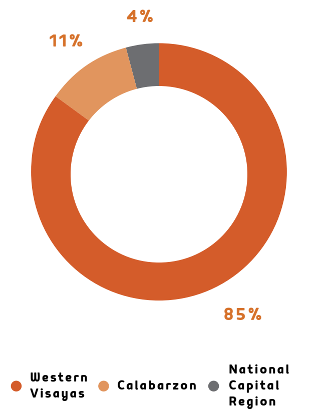
Fair treatment is enshrined in the way we manage our people. We do not tolerate discrimination and harassment on the basis of gender, race, religion, age, color or disability.

Any form of harassment, whether occurring within or outside the workplace, or at outside work-related activities, is strictly prohibited.

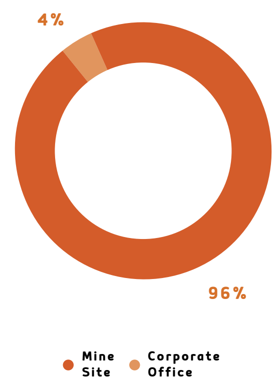
Our remuneration policy also promotes a performance-based management system that considers competencies regardless of gender.

Category Level	MINING		POWER	
	Male %	Female %	Male %	Female %
Executives	67%	33%	100%	0%
Managers	78%	22%	84%	16%
Supervisors	90%	10%	85%	15%
Staff	95%	5%	85%	15%
Total %	94%	6%	85%	15%
Total	2517	157	315	57

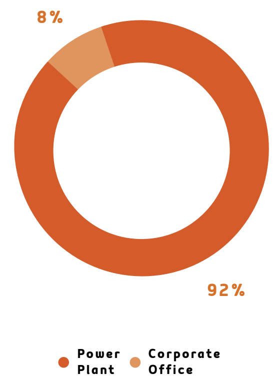
Total Operating Workforce by Philippine Region



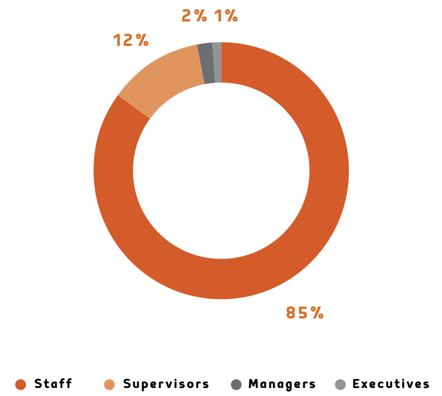
Mining Workforce= 2,674



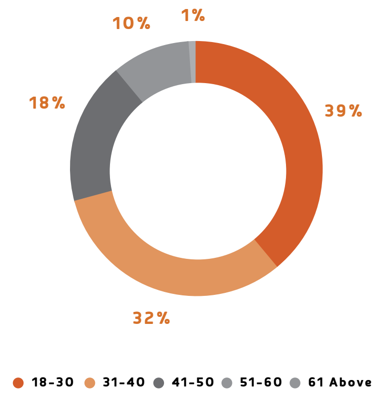
Power Workforce= 372



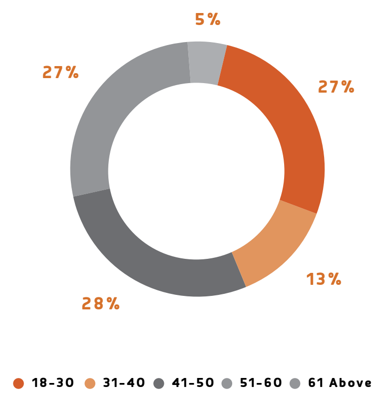
Total Operating Workforce



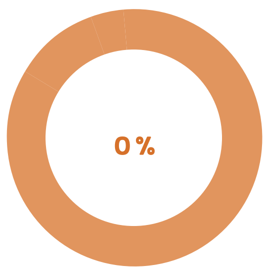
Mining Workforce by Age



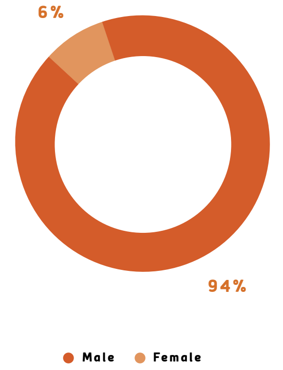
Power Workforce by Age



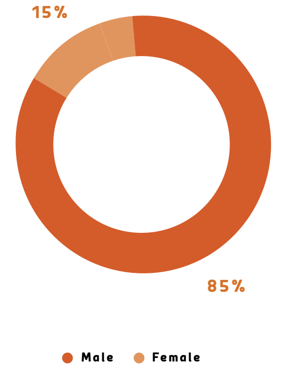
Child Labor and Forced Labor Violation Complaints



Mining Workforce by Gender



Power Workforce by Gender



Executive Succession Program

1. Identify key and critical positions
2. Evaluate impact of positions on the business
3. Identify and assess employee candidates based on professional qualifications, leadership potentials and readiness to assume position.
4. Develop employee candidates through training, coaching, mentoring, and cross-posting
5. Assume leadership position

Attracting, Managing and Rewarding Talent

Our remuneration philosophy aims to closely link overall compensation with individual performance, company performance and shareholder value.

To maintain compensation levels that are industry-competitive and consistent with our goal of attracting, motivating and retaining competent individuals, we regularly review and benchmark our salary and compensation packages against market and industry surveys.

Our compensation and reward policy accounts for performance of our company with a Balanced Scorecard approved by the Board and agreed upon with Management.

We also have a competency-based performance management system that incorporates our core values of teamwork, excellence, integrity and professionalism, so that employees will perform their duties according to the highest ethical and quality standards.

A pay-for-performance culture ensures that talent and contributions to the Company are recognized and rewarded accordingly.

Also integrated in the assessment of individual performance are Behavioral Key Performance Indicators on team effectiveness, ethics, governance and commitment to our Company's integrated Environment, Health and Safety (EHS) policy.

A PAY-FOR-PERFORMANCE CULTURE ENSURES THAT TALENT AND CONTRIBUTIONS TO THE COMPANY ARE RECOGNIZED AND REWARDED ACCORDINGLY.

Planning Leadership Continuity

We have an Executive Succession Program that aims to identify and prepare highly-qualified individuals to assume more senior roles in the organization.

Our goal is to support future growth by addressing the organization's leadership requirements and motivating our employees to aspire for advancement.

The Nomination and Election Committee of the Board oversees the development and implementation of the executive succession planning.

How we manage performance

- At the beginning of the year, the departments throughout our organization develop a Balanced Scorecard comprising of Performance Objectives, Targets and Programs (OTPs) that are aligned with our strategic and operational plans.
- Key Performance Indicators (KPIs) for measuring employee performance are set and agreed upon with Management and communicated to all levels.
- Management conducts performance monitoring of the OTPs on individual and functional levels through periodic meetings with department heads. These performance monitoring meetings are designed to enhance teamwork, collaboration, fairness and transparency among the business units.

Engineering Training Objectives

- Gain in-depth understanding of the engineering principles associated with the design, maintenance and operation of the major critical plant items and supporting systems incorporated in a Coal Fired CFB power plant;
- Enhance and increase technical knowledge and expertise on CFB power plant operations to equip participants with critical learnings necessary to apply it to actual power plant scenarios critical to the 2X150MW plant efficiency; and
- Facilitate sufficient learning to enable participants to conduct knowledge-transfer to new engineers in their assigned areas

Organizational Development

Our training programs are designed based on the competencies and talent requirements of our employees and workforce.

During the year, training programs focused on Leadership, Quality Management, Environment Safety and Health (ESH), Professional Development and Behavior to address our specific organizational targets and human resource development objectives.

Such programs included trainings, seminars and workshops on skills enhancement, leadership, management, ISO quality management principles, ESH, risk awareness, sustainability, among others.

In 2014, our ESH initiatives included trainings and seminars on Basic Occupational Health and Safety, Carbon, Footprint and Greenhouse Gases Accounting, among others.

Professional development programs included technical trainings of engineers outside the country and Basic Wholesale Electricity and Spot Market (WESM) seminar for Directors, Officers and Managers regarding WESM's role in the power industry, its governance, operations and relevant regulations.

Engineering Development Program

In preparation for the commercial operations of our Phase 1 expansion project, our power subsidiary, Southwest Luzon Power Generation Corporation (SLPGC), is undergoing intensive engineering training in China from its Equipment Procurement Contract (EPC) provider.

The first batch of EPC-related training included 36 SLPGC engineers over a three-month or 105-day period (April-July 2014).

Theoretical, simulation and power plant practical trainings were held at the main training bases and equipment manufacturers.

The second batch of 30 SLPGC engineers underwent training from October to December 2014, and were divided into boiler, turbine and electrical groups.

In accordance with the overall requirements and deployment of the program, the 45-day training in China involved simulator training and power plant practical training.

For two weeks in December 2014, our 10 Instrumentation and Control Engineers also underwent advanced training on Distribution Control System (DCS).

This program covered advanced theory and practical skills about DCS network, communication, logic, model, and configuration.

2014 Mining Workforce Training

Training Category	Executives	Managers	Supervisors	Staff	Total
Professional and Technical Development	107	92	364	1,940	2,503
Leadership	160	232	236	1,076	1,704
Quality Management System	-	36	140	1,844	2,020
Environment, Safety and Health	7	24	240	4,022	4,293
Behavioral	-	-	12	988	1,000
No. of Training Hours	274	384	992	9,870	11,520
Training Hours per Category %	2%	3%	9%	86%	100%
Number of Mining Workforce	15	36	275	2348	2,674
Average training hours per Mining Workforce	18	11	4	4	4
Total 2014 Training Spend					₱3,163,602
Average Training Spend per Mining Workforce					₱1,183

2014 Power Workforce Training

Training Category	Executives	Managers	Supervisors	Staff	Total
Professional and Technical Development	140	236	8,748	41,000	50,124
Leadership	112	516	888	2,776	4,292
Quality Management System	32	104	176	638	950
Environment, Health and Safety	24	112	328	2,628	3,092
Behavioral	36	800	1,514	6,349	8,699
No. of Training Hours	344	1,768	11,654	53,391	67,157
Training Hours per Category %	1%	3%	17%	79%	100%
Number of Power Workforce	5	37	122	208	372
Average training hours per Power Workforce	69	48	96	257	181
Total 2014 Training Spend (Capitalized and Expensed)					₱25,855,128
Average Training Spend per Power Workforce					₱69,503

Employee Wellness
We support a holistic employee wellness program that emphasizes well-being and work-life balance. It covers annual physical examinations, physical fitness activities, sports events, recreational programs, among others.

Recreation and Health
Maligayang Semirara is a year-round arts, music and sports program that promotes community engagement and personal wellness among company workers and island residents.

It provides the children of Semirara Island with an avenue for discovering and developing their artistry, musicality and athleticism.

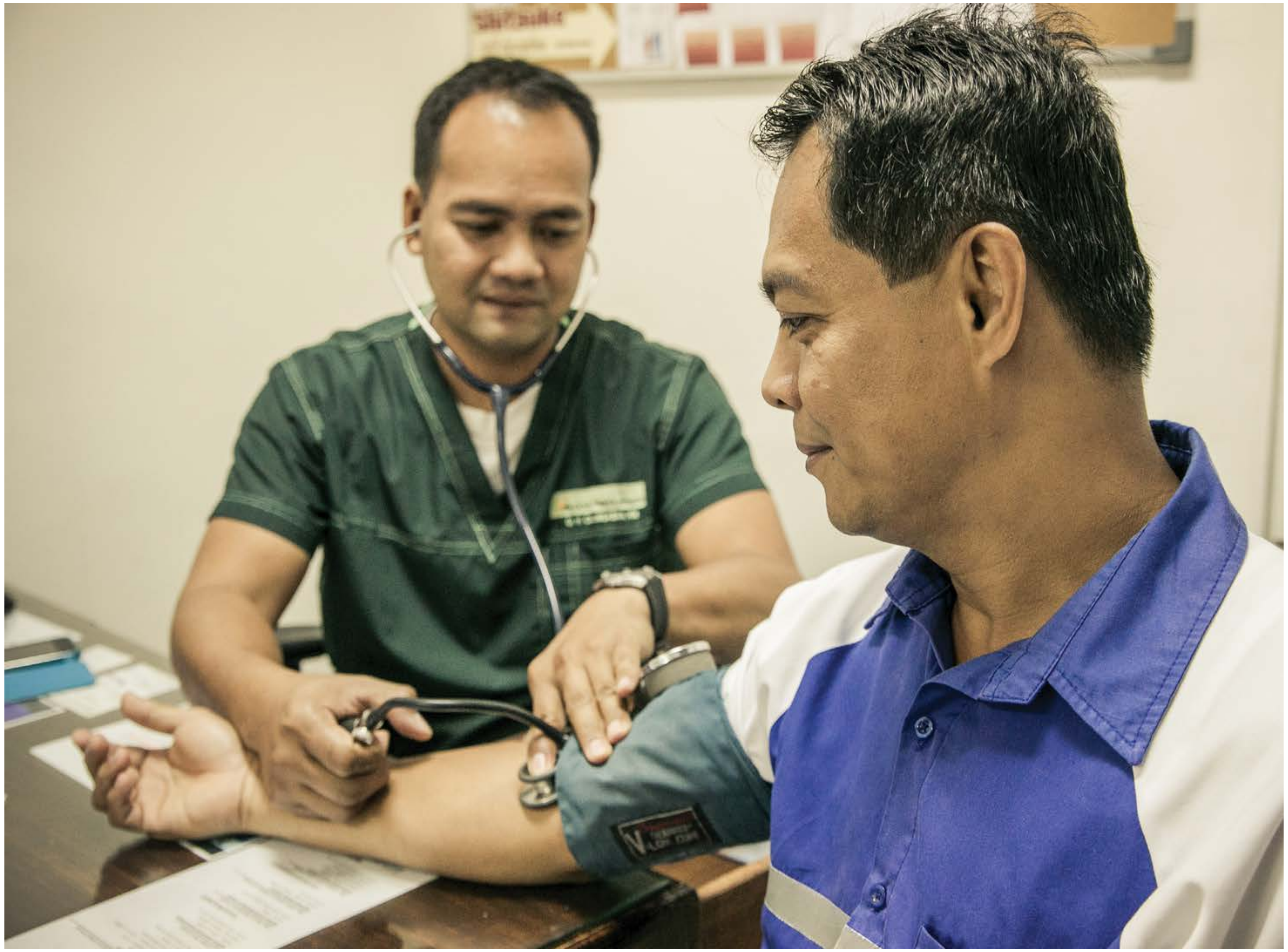
Other wellness initiatives include Zumba and aerobics classes, an information campaign on achieving a healthy lifestyle and financial health seminars.

As of December 2014, Maligayang Semirara had around 500 active members from the Semirara Island community.

Infirmary Services
Our Infirmary makes quality healthcare accessible to our mine site workers, their dependents and the local residents of Semirara Island. It also has a pharmacy that offers medicines at discounted prices to all patients.

The facility is staffed by a team of 19 health professionals, four (4) of whom are medical doctors who are on call at any day. The rest are nurses (7), nurse aides (3), dentists (2), medical technologists (2), an x-ray technician and a midwife. The nurse aides also function as pharmacy assistants, and caregivers.

Our Infirmary is an accredited facility of the Philippine Health Insurance Corporation (PhilHealth).



WE PROVIDE OUR FULL-TIME EMPLOYEES WITH A NUMBER OF BENEFITS TO HELP ADDRESS THEIR HEALTH AND WELFARE NEEDS.

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/Magna Carta - two months		
Retirement Benefit (RA 7641) - • Semirara Mining and Power Corporation has a funded, noncontributory defined benefit plan. • Sem-Calaca Power Corporation has an unfunded, noncontributory defined benefit plan.		
Violence Against Women & Children - 10 days	Uniform Allowance - P 5,000/year per regular employee (Power subsidiaries)	

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

Workplace Safety

Being an integrated coal energy company, safety is a prime concern across our organization. It is embedded in our systems and procedures to ensure that the safety, health and welfare of our people are well-protected.

Our workplace safety objective is to eliminate or reduce, to the lowest level, any risk that may result in fatality, personal injury, illness, property or environmental damage.

Working safely as a condition to employment is reinforced by training sessions on basic occupational health and safety, and regular drills on emergency preparedness, such as fire and earthquake.

Now on its 6th year, our coal mining operation has been duly recommended to the United Kingdom Accreditation 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 OHSAS 18001:2007 on Occupational Health and Safety Management System.

Mining Safety

We adopt global best practices in open-pit coal mining operations, with safe production among our key objectives.

We rank loss of life or unacceptable threat to human safety as our 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 activities to continuously review ground displacements.

Road and safety driving rules are strictly observed by equipment operators to ensure non-vehicular collision due to poor visibility from dust, which is a common risk to coal mining activity.

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 its implementation under controlled condition. Safety training programs are also conducted regularly.

Suppliers, contractors, customers and visitors staying at our Mine Site are required to comply with our health and safety procedures.

Enhanced Mining Safety Initiatives

We have a Robotic Total Station with thirty-three prisms strategically located around the mine pit for 24/7 wall movement monitoring.

Additional safety personnel perform crack monitoring activities to support tracking of ground movement and/or displacements.

In 2014, 18 operating piezometers around the active mining area measure below-the-surface water levels. Sub-surface dewatering pumps are also operated and maintained to control water intrusion or seepage.

Our enhanced mining safety initiatives are summarized in the table below:

Pit Slope Stability	Mine Working Areas	Safety Programs
• Piezometers and sub-surface dewatering pumps • Extensometer for crack monitoring • Bench Dimensions within safety standards	Truck & Shovel standard protocols • Maintain driving distance 30 meters uphill and downhill • Turn all headlights on during the day • Observe guidelines on job hazards and work instructions	• Fire Prevention Program • Emergency Preparedness Response Program • Material Handling and Storage System • Safety Toolbox meetings per department daily • Safety training program

Plant Safety

SEM-Calaca Power Corporation embraces the same safety culture to create a safe workplace for its workforce.

Overseeing the implementation of its formal safety policies, programs and procedures is a Safety Division functional unit, with a full-time Safety Officer who conducts site safety patrols, among others. A Safety Committee also conducts monthly meetings to monitor and review the safety initiatives within the power facility.

Plant personnel regularly undergo safety training programs, such as basic firefighting, emergency preparedness and exercise drills. Fire Safety / Lock-Out Tag-Out, Safety Audit and Behavioral-based safety trainings were also conducted in 2014.

Meanwhile, a formal Contractor Safety Management program is strictly enforced at the Calaca Power Plant Compound, with more stringent 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.

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.

Power Plant Health and Safety Programs

- Flu vaccine administration
- Safety orientation for new employees, customers, visitors and contractors
- Workplace Safety Inspection program
- Safety and Health Committee monthly meeting
- Fire Safety Program
- Creation of Internal Fire Brigade Team
- Fire Brigade Training, February 13-14, 2014
- Emergency Preparedness Program
- Safety Training for Managers, April 29, 2014
- Safety Toolbox Meeting per department monthly

2014 Safety Data

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

Emergency Preparedness and Response Training and Drill Activities in 2014

Activity	Location
Emergency Preparedness and Firefighting	Plant Site
	Mine Site
Fire Drill on Equipment Vehicle	Plant Site
Landslide Drill	Mine Site
Bandaging and Splinting, Personnel Injury integrated with Earthquake and Fire Training & Drill	Plant Site
	Mine Site
Fire Evacuation and Firefighting integrated with Earthquake and Fire Training & Drill	Plant Site
	Mine Site
Fire Drill, Earthquake Drill, First Aid	Plant Site
	Mine Site
	Corporate Office
Building Evacuation, Fire Drill integrated with Earthquake and Fire Training & Drill	Plant Site
	Mine Site
Basic Electrical Safety Training	Mine Site
Water Rescue Training	Mine Site
High and Low Rescue Training	Mine Site

ENVIRONMENTAL STEWARDSHIP

WE RECOGNIZE THE IMPACTS OF OUR BUSINESS ON THE ENVIRONMENT, AND COMMIT TO MANAGING THEM IN A RESPONSIBLE MANNER.

BY USING ADVANCED MINING TECHNOLOGY AND ENGINEERING, WE CAN INTEGRATE SOCIAL DEVELOPMENT AND ENVIRONMENTAL PROTECTION WITH SUPERIOR BUSINESS PERFORMANCE.

Hazard Identification and Risk Assessment

A critical first step in minimizing the negative impact of our coal mining and power generation operations is our adoption of a Hazard Identification and Risk Assessment process.

We identify and evaluate existing and potential hazards on our worksites, including the methods for controlling or eliminating the identified hazards. Such methods could include engineering or administrative controls, employee training or the use of protective equipment.

Environment, Safety and Health (ESH)

Our ESH management system integrates value chain processes that minimize pollution and damage to the environment.

Employees are mandated to comply with our ESH objectives and policies, such as the conservation and promotion of the local biodiversity, proper management of solid waste and reduced consumption of electricity, water and paper, among others.

Through our flagship environmental programs, we also planted more than two million trees since 2000, and successfully raised the population of giant clams in Semirara Island to 86,000 since 2006.

In 2014, we also conducted an awareness seminar on greenhouse gas emissions accounting for our mine site sustainability leaders. Using a stakeholder engagement approach, we plan to develop baseline data for monitoring and reducing our carbon footprint impact.

Environmental monitoring

We comply with the conditionalities of our Environmental Compliance Certificate (ECC) by working closely with the Multi-Partite Monitoring Team (MMT) for the Panian mine operations.

The MMT oversees and evaluates our compliance with applicable laws, rules and regulations and said ECC conditions.

The MMT for the mine on Semirara Island meets regularly to provide appropriate check and balance mechanisms in the monitoring of operations.

In 2014, it conducted three (3) on-site monitoring activities, reporting on the quality of air and water, mine operation and relevant social and environmental projects and concerns.

Multi-Partite Monitoring Team Members

- Department of Environment and Natural Resources (DENR) Regional and Provincial Offices
- Environmental Management Bureau-Antique
- Office of the Municipal Mayor of Caluya
- Three barangays of Semirara Island
- Department of Health - Antique
- Various local stakeholder organizations (i.e., academe, religious community, fishing associations, landowners, farmers, women, senior citizens and market vendors).

Monitoring Period	Activity dates	Areas visited
First quarter	26-27 March 2014	Panian pit, East Panian expansion area, siltation pond, coal washing plant, and Barangay Proper
Second quarter	10-11 September 2014	Panian pit, East Panian expansion area, siltation pond, and coal washing plant
Third quarter		
Fourth quarter	21-22 January 2015	Panian pit, East Panian expansion area, siltation pond, coal washing plant, hazardous waste storage area in Panian 1, and new coal power plant

Pursuant to applicable environmental laws, the MMT monitored the impact of our mining operations on air and water quality.

Air monitoring was conducted using isokinetic sampler for flue gas (of mine site power plant) and high-volume sampler and di-gas bubble for ambient air.

Meanwhile, water monitoring was done through periodic water sampling on ambient water body and effluent.

The following charts detail the results of air quality monitoring and sea water sample analysis.

Semirara Ambient Air Quality Monitoring
One (1)-hour sampling, 2010 to 2014

National Ambient Air Quality Standard	SO2 340 µg/Ncm or 0.13ppm				NO2 260 µg/Ncm or 0.14ppm				TSP 300 µg/Ncm			
Sampling Station	2010 ppm	2012 µ g/Ncm	2013 µ g/Ncm	2014 µ g/Ncm	2010 ppm	2012 µ g/Ncm	2013 µ g/Ncm	2014 µ g/Ncm	2010 µ g/Ncm	2012 µ g/Ncm	2013 µ g/Ncm	2014 µ g/Ncm
DMCI Village	0.015	39.8 µg/Ncm, 0.02 ppm	122.07	20.56	<0.005	not detected		3.34	750.85	224.7	54.74	29.59
Molave Housing	0.015	48.1 µg/Ncm, 0.02 ppm	83.99	21.61	<0.005			3.20	293.4	274.3	4.87	47.46
STCI	0.016	85.8 µg/Ncm	50.05	37.51	<0.005	no data	3.0	5.54	91.55	no data		24.24
Sitio Villaresis	0.016	137.97 µg/Ncm	107.09	18.27	<0.005		not detected	2.32	137.97	no data	10.15	69.79

* 2010 baseline data by Global Environmental Services, Pasig City

In 2014, sea water sampling and analysis were conducted in five (5) sites within Barangay Semirara covering the baseline parameters as done by Lichel Technologies, Inc. in 2009. The results of which are as follows:

Sea Water Analysis, 2014

Parameters / Location	DAO 34: CLASS SC REQTS	SUJA		SHIPLOADER		CAPIS-CAPIS		PANIAN 1		PANIAN 2	
		April	Aug	April	Aug	April	Aug	April	Aug	April	Aug
HEAVY METALS, in mg/l											
Total Arsenic (As)	0.05	0.0028	0.0018	0.0025	0.0016	0.0032	0.0015	0.0024	0.0019	0.0025	0.0017
Total Mercury (Hg)	0.002	<0.001	<0.001	<0.001	<0.001	<0.001	<0.001	<0.001	<0.001	<0.001	<0.001
Total Chromium (Cr)	0.1	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01
Total Cadmium (Cd)	0.01	<0.003	<0.003	<0.003	<0.003	<0.003	<0.003	<0.003	<0.003	<0.003	<0.003
Total Lead (Pb)	0.05	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01
CHEMICAL & PHYSICAL, in mg/l											
Oil and Grease	3	0.9	0.9	0.8	1.1	0.7	1.2	1.0	1.3	1.0	0.9
DO	≥5.0	*	6.64	*	6.64	*	6.64	*	7.47	*	6.64
TSS	≤30mg/l increase	4,840	6,040	5,020	5,590	4,910	6,580	4,380	6,680	5,090	6,670
Temperature,°C	≤ 3°C rise from RBW	30	33.4	31	33.4	30	32.6	32	32.4	32	33.0
pH	6.0 - 8.5	8.21	8.23	8.22	8.29	8.02	8.24	8.26	8.26	8.25	8.29

* 2010 baseline data by Global Environmental Services, Pasig City

Freshwater sampling and analysis was also conducted in the fourth quarter of 2014. The results of which are summarized as follows:

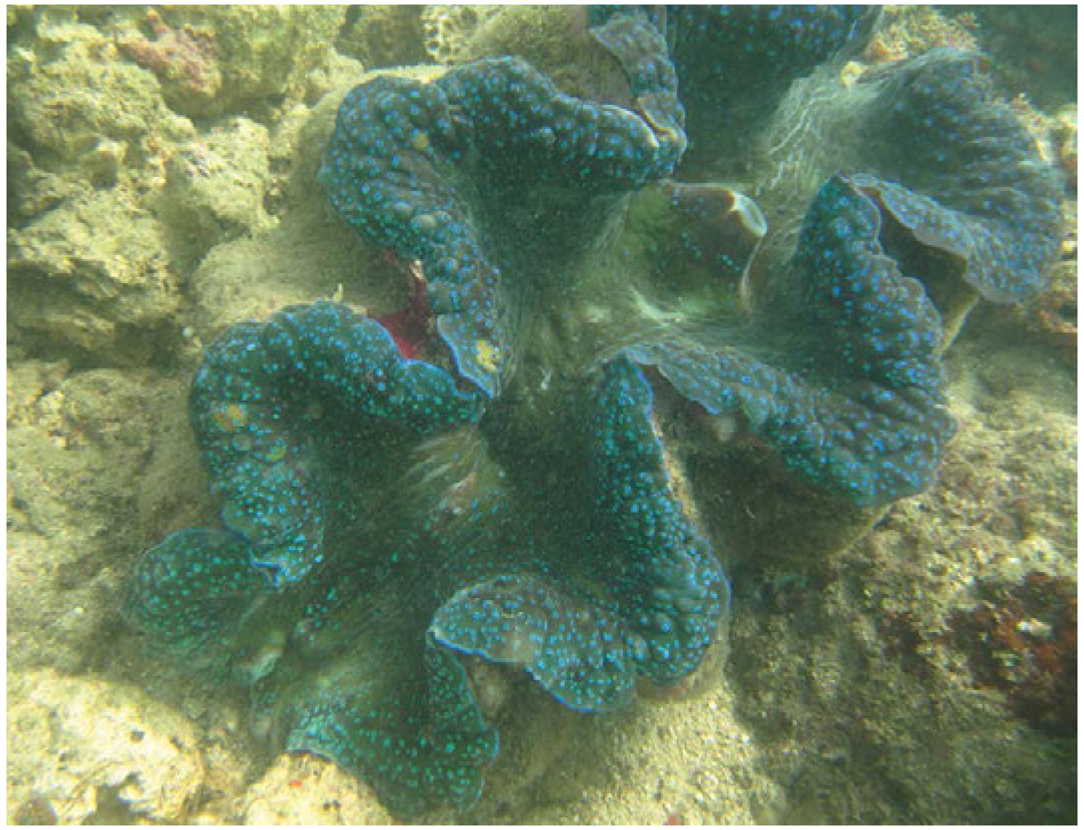
Freshwater Sampling Results
4th quarter, 17 December 2014

PARAMETERS	DENR STANDARD DAO 34: Class C	KABURIAN CREEK	ILUAY CREEK	BUJO-BUAYA CREEK
HEAVY METALS, in mg/l				
Total Cadmium (Cd)	0.01	<0.003	<0.003	<0.003
Total Chromium (Cr)	0.05	<0.01	<0.01	<0.01
Total Lead (Pb)	0.05	<0.01	<0.01	<0.01
Total Mercury (Hg)	0.002	<0.001	<0.001	<0.001
Total Arsenic (As)	0.05	0.001	0.002	<0.001
Total Copper (Cu)	0.05	<0.05	<0.05	<0.05
Total Manganese (Mn)	None	<0.05	<0.05	2.37
CHEMICAL AND PHYSICAL				
Biochemical Oxygen Demand (BOD5) in mg/L	7.0	2.30	<1.0	2.79
Total Coliform, MPN/100 ml	5,000	2,400	5,400	2,400
Dissolved Oxygen (DO), mg/L	≥5.0	6.43	5.71	No samples collected for in-house analysis
Total Suspended Solids (TSS), mg/L	≤30mg/L increase	53.0	16.0	
pH	6.5 - 8.5	7.61	7.84	
Temperature, °C	≤ 3°C rise from RBW	31	32	

Noise level self-monitoring is also conducted quarterly, with baseline data captured by Lichel Technologies of Pasig City in May 2009.

Measurements from 2009 to 2014 show noise levels in populated areas in Brgy. Semirara to be within the standard prescribed in Presidential Decree 984, Noise Control for Class C Residential Areas at daytime.

STATION	STANDARD (residential area)	BASELINE 2009	ANNUAL AVERAGE per quarterly results, decibels				
			2010	2011	2012	2013	2014
DMCI Village Basketball Court	55 dBA	52 dBA	54.49	52.18	51.17	53.13	53.09
Molave Housing Phase 1	55 dBA	53 dBA	52.71	50.32	50.64	52.48	51.47
STCI	55 dBA	51 dBA	51.27	52.27	51.25	51.72	52.30
Sitio Villaresis Basketball Court	55 dBA	50 dBA	53.00	51.53	51.20	52.16	51.45



Thermal wastewater sampling was also conducted in 2014, yielding the following results:

Thermal Wastewater Sampling Results 2014

Parameters	DENR DAO 35: Class SC	POWER PLANT CONDENSER INTAKE CONDENSER DISCHARGE				POWER PLANT				SUJA OUTFALL			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
HEAVY METAL PARAMETERS, in mg/l													
Total Cadmium (Cd)	0.01	<0.003	<0.003	<0.003	<0.003	<0.003	<0.003	<0.003	<0.003	<0.003	<0.003	<0.003	<0.003
Total Chromium (Cr)	0.1	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	0.04	<0.01	<0.01	<0.01	<0.01
Total Lead (Pb)	0.05	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01
Total Mercury (Hg)	0.002	<0.001	<0.001	<0.001	<0.001	<0.001	<0.001	<0.001	<0.001	<0.001	<0.001	<0.001	<0.001
Total Arsenic (As)	0.05	<0.001	0.0026	0.0021	0.001	<0.001	0.0044	0.0018	0.002	0.001	0.0033	0.0029	0.002
CHEMICAL AND PHYSICAL PARAMETERS													
Biochemical Oxygen Demand (BOD), mg/l	7	<1.0	1.9	2.7	<1.0	2.5	1.3	0.7	2.76	<1.0	1.2	1.5	1.46
Dissolved Oxygen, mg/l	Min. 5.0	9.0	-	2.1	7.0	9.0	-	2.4	7.0	8.0	-	4.2	7.0
Oil and Grease, mg/l	3.0	0.9	1.3	7.7	-	0.6	1.3	6.2	-	0.5	1.1	6.2	-
Total Suspended Solids, mg/l	≤30mg/L increase	4,015.20	4,100.0	2,580	4,495	5,071.20	3,820.0	5,400	4,003	4,184.0	3,980.0	5,560	4,310
pH	6.0 - 8.5	7.85	8.10	7.99	7.82	7.91	7.02	8.12	8.07	7.94	7.67	8.04	8.05
Temperature, °C	Max. rise of 3°C from RBW	30.30	34.0	32	32	32.30	40.0	34	32	32.20	36.5	32	30

Tabunan Marine Laboratory and Hatchery

The Tabunan Marine Hatchery Laboratory in Semirara Island was established to lead our marine rehabilitation and biodiversity development efforts in the area.

The facility has a Certificate of Registration from the Bureau of Fisheries and Aquatic Resources (BFAR) that allows it to commercially breed aquatic wildlife, granted that it reserves for conservation 30% of its production.

Giant Clams

The giant clam (*Tridacna gigas*) is one of the most endangered clam species in the world. It can only live in safe, unpolluted marine environment.

In 2006, our company brought to Semirara Island 150 pieces of the species from the University of the Philippines - Bolinao, Pangasinan.

Three years of observation proved that the bivalves could survive reseeding in Semirara, encouraging us to purchase 96 pieces of *T. gigas* broodstock.

In 2010, the Semirara Marine Hatchery Laboratory successfully started spawning *T. gigas*, *in-situ*, within the 150-hectare marine sanctuary coastal area from Ilugao, south to Tabunan, Sibutong and up to Mamboquil cove.

Since then, the facility has been spawning six (6) species of the giant clams, namely, *Tridacna gigas, Tridacna squamosa, Tridacna derasa, Tridacna maxima, Tridacna crocea,* and *Hippopus hippopus.*

In June 2014, through the assistance of National Scientist Dr. Edgardo Gomez, our facility linked with the Marine Ecology Research Center of Malaysia and completed the exchange of three broodstock and 150 juveniles of *Hippopus porcellanus (H. porcellanus)* for the same number of *Tridacnagigas (T. gigas)* from our marine facility.

Through this trade, our marine facility became the only one in the country to be spawning and growing the seven species of giant clams that live in the tropical regions of the world.

On 24 September 2014, Semirara Marine Hatchery Laboratory successfully spawned *H. porcellanus, ex-situ*, and was able to collect 4.7 million fertilized eggs that are waiting transfer onto cement slabs after five (5) months.

To date, we have propagated nearly 86,000 giant clams in Semirara Island. Our goal is to breed enough of these species to conserve the marine resource and enhance the biodiversity around the island, while generating livelihood opportunities for our host communities.

Abalone

Abalone is another marine animal that the laboratory is studying for cultivation. This sea snail grows to marketable size in Semirara waters and responds well to natural feeding, which makes it a potential livelihood venture for the local communities.

Experiments on growing gracilaria seaweeds, abalone's natural food, are ongoing. Spawning of the abalone will continue pending the results of these experiments.

Coral Fragment Transplantation

In May 2014, around 300 fragments or broken-off corals from the reefs of Semirara were "planted" on cuttings of PVC pipes filled with cement and then transferred to Tabunan cove.

The hatchery laboratory also built a coral ocean rope nursery for grow-out of *Acropora sp. corals.* From this nursery, the facility harvested 47 pieces that were transplanted in the Tabunan reefs, while 21 pieces were held in stock at the facility's raceway.

Semirara Giant Clam Population as of 2014

Location	Tridacna gigas	Tridacna squamosa	Tridacna derasa	Tridacna maxima	Tridacna crocea	Hippopus hippopus	Hippopus porcellanus	Crossbreed	Total
Raceway tanks	6,395	19,813	754	7,736	8,746	46		4,103	47,593
Ocean nursery cages	368	1,410							1,778
Ocean nursery garden	4,442	5,619	175	2,273	2,395			226	15,130
Marine Sanctuary (reseeded)	3,218	9,759	1,014			7,074	80		21,145
Broodstock	140	45	8	27	47	60	2		329
Total	14,563	36,646	1,951	10,036	11,188	7,180	82	4,329	85,975

Trees Planted in 2014

Species	Quantity
1. Balete	64
2. Balisayon	1,834
3. Balising	129
4. Bamboo	373
5. Banago	167
6. Bani	324
7. Beach agoho	92,771
8. Bignay	32
9. Binukaw	32
10. Bitoon	390
11. Dao	564
12. Dapdap	306
13. Duhat	1,307
14. Fire tree	603
15. Galo	32
16. Kalumpang	1,438
17. Kalumpit	765
18. Kamagong	57
19. Kamatchile	34
20. Kanumay	131
21. Mancono	418
22. Miracle fruit	32
23. Molave	64
24. Narra	3,816
25. Putat	251
26. Rain tree	68
27. Salimbabao	32
28. Siar	186
29. Sibukaw	175
30. Talisay	402
31. Tampoy	32
32. Tambalisa	100
33. Tanghas / Tui	153
Total	107,082

Tree Type	Planted Quantity (hills)	Surviving Quantity	Survival Rate
Native and beach forest trees	1,995,401	1,639,307	82%
Agro-forestry	67,041	48,679	73%
Mangroves	936,997	505,080	54%
Total	2,999,439	2,193,066	73%

Mine Site Rehabilitation

To minimize and mitigate the environmental effects of our mining operations, we employ an active mine site rehabilitation strategy that involves the continuous propagation and replanting of trees inland and at areas reclaimed for reforestation.

We have planted nearly three (3) million trees from 2000 to 2014, including native and beach forest trees and various species of mangroves.

Of these trees, 2.2 million trees survived according to an inventory that was conducted in 2014.

In 2014, the company planted 92,771 hills of beach agoho (*Casuarina equisetifolia*), in addition to the one million hills of the same species planted in 2013.

The species had been chosen for planting along the rim of Panian mine. This low-land pine tree facilitates wind and dust control, and carbon capture at Panian, while contributing to the rehabilitation of the mine site.

The reforestation program also provides livelihood to about 74 personnel on a regular basis and more than 200 workers during the rainy season.

Unong Mine

After producing around 12 million metric tons of coal, Unong mine pit was closed down in 2000. Rehabilitation of the area was subsequently undertaken by growing ipil-ipil along the mine rim to stabilize the soil and hasten the growth of grass which serves as windbreaker.

The pit filled with water over the years, transforming into Unong Lake that now hosts meter-long eels, tilapia, and even some hawkbill sea turtles released in the area back in 2011.

We also maintain a three-kilometer road around the lake, for use of recreational visitors and island residents. Our plan is to develop the area as a place for recreation for island residents.

In 2014, we started developing 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 within the next two years.

Solid Waste Management Program

We operate a Materials Recovery Facility (MRF) in Bagong Barrio of Brgy. Semirara. The facility collects biodegradable, recyclable and residual wastes from our mine site offices, housing facilities, including the workers' villages in Brgy. Alegria.

The MRF also receives the garbage collected by Bgy. Semirara from its sitios.

In 2014, the MRF handled a total of 332,000 kilograms of waste from our company and Brgy. Semirara.

From the biodegradable waste, the facility was able to produce 118,090 kilograms of compost that was then used in the nurseries, landscaping and reforestation efforts.

The recyclable wastes are given for free to the company's garbage collectors to augment their income.

Residual wastes are brought to a controlled dumpsite in Panian, while hazardous wastes are collected in a 16m x 30m site that is lined with geo-membrane.

Materials Collected in 2014

Waste Type	Weight (in kg)
Biodegradable	120,000
Recyclable	12,000
Residual	200,000
Total	332,000

Furnace Bottom Ash Mitigation

Our power subsidiary, SEM-Calaca Power Corporation, stepped up its environmental impact mitigation efforts when it converted its furnace Bottom Ash Handling Systems from the Wet System to Dry System, during the rehabilitation of their Units 1 and 2 in 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.

Conversion 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 - the energy that is 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.

Fly Ash Disposal Management

In 2014, 100.824 MT was produced, or 51% lower than 2013. The company has a long-term contract with a local cement company, which is responsible in the collection and transportation of the fly ash out of the plant complex.

The cash generated in 2014 is PhP113.48 million compared to PhP203.18 million in 2013. The estimated fly ash production is at around 7% of the total coal fuel consumption.

COMMUNITY EMPOWERMENT

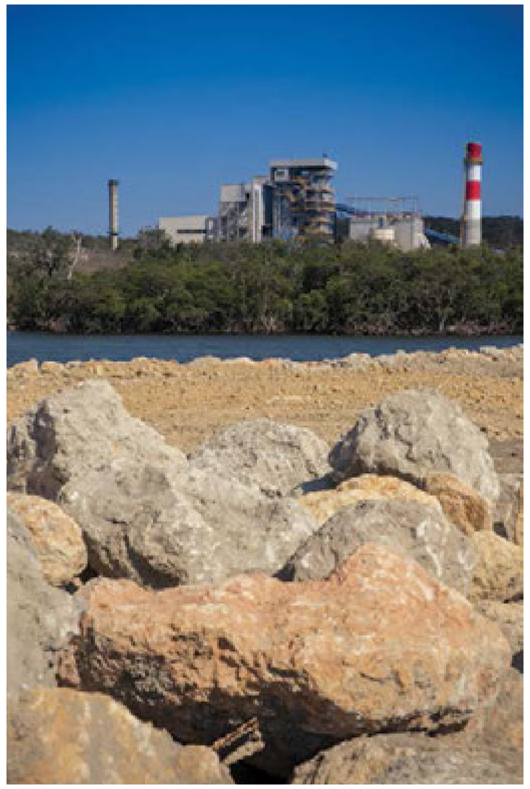
OUR APPROACH TO BUILDING SELF-SUSTAINING COMMUNITIES IS HOLISTIC AND STAKEHOLDER-BASED.

WE ACTIVELY ENGAGE OUR LOCAL DEVELOPMENT PARTNERS TO PROVIDE THEM WITH BASIC SERVICES AND MEANINGFUL OPPORTUNITIES THAT WILL HELP ENHANCE THEIR LIVING CONDITIONS AND FACILITATE LONG-TERM DEVELOPMENT.

Electricity Rates in the Island
Semirara Island residents pay only PhP4.80/kWh for their electricity.

Our Company spends around PhP3.55 to generate 1kW of electricity from the coal-fired power plant and about PhP10.31 from the diesel generators.

ANTECO pays PhP2.50/kWh for the electricity we supply.



Basic Services

We strive to provide our host communities in Semirara Island with access to basic services notably electricity, water, health, education, sanitation and livelihood.

With these services, they can attain a higher standard of living and create economic opportunities even within an island setting.

Electricity

In 1999, we worked with the Antique Electric Cooperative (ANTECO) to install power lines and provide electricity to the communities of Semirara Island. Before this, only the mine site and the employees' village had access to electricity.

The service continues up to the present, with each employee-household receiving free power allocation of 300 kwh per month. Excess usage is paid through salary deduction.

Island residents enjoy PhP200 worth of free electricity every month, as provided by the local government of Brgy. Semirara.

For years, electricity on Semirara Island was being generated by a 2x7.5 MW coal-fired power plant. Diesel bunker engines provided reliable backup power.

With the coal-fired power plant requiring high maintenance and the diesel power generators becoming expensive to run, we proceeded to build a new 15MW coal-fired power plant that uses the modern Circulating Fluidized Bed (CFB) technology.

The new plant was commissioned in the last quarter of 2014, allowing us to generate power more efficiently, while serving the growing electricity requirements of our mining and support operations.

Equally important, the CFB technology will enable us to significantly reduce our sulfur, nitrous oxides and particulate emissions compared to traditional power plants.

Company data shows that power supplied to company housing facilities reached 5,878,161 kwh in 2014, while the communities on the island consumed 3,017,090 kwh.

Water Supply

The Sanglay water catchment beside the Panian mine is the main domestic water source in Brgy. Semirara. It has a holding capacity of two (2) million cubic meters.

Additional raw water supply is drawn from Bunlao Spring in Brgy. Alegria, a man-made lake in Casay in Brgy. Semirara, among others.

Raw water from these sources feeds into a PhP40 million filtration and refilling system, which we have been operating and maintaining since 2012.

In 2014, daily water consumption averaged 7,156 cubic meters. Domestic water use accounted for more than a quarter of the consumption. Majority of the supply went to irrigating reforested areas, rice fields, among others

Raw Water Sources in Semirara Island

Water Source	Volume Extracted (in cu.m.)
Sanglay Lake	1,313,435.20
Casay Lake	521,546.56
Bunlao Spring	422,905.61
FW#4 at Spring	178,200.00
Deep well in Panian	175,758.00
Total	2,611,845.37

GENERAL DESCRIPTION

Electrification	Rated Capacity	Construction	Commissioning	2014 Reliable Load
Old power plant	2 x 7.5 MW	1981	1982	2 X 5 MW
New power plant	1 x 15 MW	2012	2014	1 X 15 MW
Diesel power plant	10 MW	2008	2009	8 MW
Portable generator	1 MW	1981	1982	1 MW
			Available power on Semirara Island	34 MW

Average Daily Water Use

Distribution	Volume (in cu. m.)	% Share
Domestic	1,896.99	27
Irrigation	4,045.86	57
Industrial	1,212.90	16
Total	7,155.75	100.00%

Medical and Health Services

Our primary care facility on Semirara Island has been reclassified as an infirmary under Administrative Order No. 2012-0012 of the Department of Health (DOH).

In 2014, it joined the National External Quality Assessment Scheme (NEQAS) of the DOH quality assurance program for clinical laboratories.

An accredited facility by the Philippine Health Insurance Corporation (PhilHealth), our infirmary operates with the support of four (4) on-call medical doctors, 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 doctors and staff of the infirmary provide free primary medical services to our employees, their dependents and the local residents.

Of the 10,827 medical consultations recorded in 2014, nearly half (49%) were made by community residents, followed by employees (31%) and their dependents (20%).

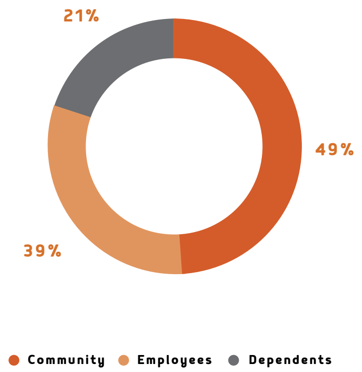
Our infirmary also supervises the barangay health workers (BHWs) who operate health stations and wellness centers. In 2014, members of our medical staff held refresher sessions for the BHWs to address common medical and health issues, and participated in community preparedness activities.

Additionally, some of our medical staff conducted pre-activity assessments for the participants of the Summer Camp 2014, and produced five (5) junior medics from a first-ever Junior Medics Summer Workshop on the island.

In October, all of our medical and health personnel received trainors' training on Basic Life Support (BLS) and received a two-year certification as cardiopulmonary resuscitation (CPR) rescuers from the DOH.

To help promote health and wellness in our host communities in Batangas, we conducted 12 free clinic sessions in nine different barangays in Calaca and Balayan. We also sponsored over 781 medical, dental and optical missions in Brgys. Dacanlao and San Rafael.

Free Consultation



Infirmary Services Rendered in 2014

Physical Examinations	Community Consultations	Delivery
1,595 employees	10,827 medical consultations	80 infant deliveries
98 students from Semirara Training Center, Inc.	2,971 dental consultations	
802 students from Divine Word School of Semirara Island, Inc.	223 physical and pre-employment examinations	

Education

We support various schools in Semirara island and Batangas, so we can help provide our employees and host communities with quality education.

In 2014, we spent PhP3.9 million on construction materials and repairs of classrooms in Tinogboc Elementary School, Tinogboc National High School (TNHS) and Bunlao Elementary School.

We also contributed PhP1.7 million for materials to construct a four-classroom building for Antique College on the island of Caluya.

In November 2014, we began construction of a PhP7-million gymnasium for TNHS, which we expect to be completed for turn-over to the local community by the end of school year 2014-2015.

We provided our host communities in Batangas with similar infrastructure support, with the construction of a multi-purpose gymnasium for St. Raphael Archangel Parochial School, six classrooms at Balayan National High School and three classrooms at Baclaran Elementary School.

We also donated laboratory equipment, LED and LCD projectors and assorted construction materials to five schools in Calaca and Balayan, Batangas.

To recognize and empower talented youths, we continued to provide the top graduating students from our host communities with college scholarships in Metro Manila and other major cities of the Philippines.

As of school year 2014-2015, we are supporting 55 scholars from Semirara Island and 25 scholars from Batangas. The scholarships include tuition, other school fees and monthly allowances for those requiring additional support.

We also provide housing support to the dependents of our Semirara workers who are studying in Mindoro Occidental.

Semirara Island School Assistance in 2014

School	Details	Cost	Total
Tinogboc Elementary School	5-classroom building	2,122,493.79	2,122,493.79
Tinogboc National High School	Computer and Library Building	695,554.21	1,676,667.21
	Repair of Two classrooms	77,187.50	
	Repair of Three classrooms (Bldg 1)	421,338.50	
	Repair of Three classrooms (Bldg 2)	456,929.00	
	Repair of Restrooms	25,658.00	
Bunlao Elementary School	Painting of School	105,260.13	105,260.13
Antique College	4-classroom building	1,735,905.38	1,735,905.38
		Total	5,640,326.51

SINCE 2006, OVER 940 LOCAL RESIDENTS HAVE GRADUATED FROM SEMIRARA TRAINING CENTER.

Skills Training

To support the manpower requirements of our coal segment and provide local residents with the opportunity to acquire marketable skills, we maintain a partnership with Semirara Training Center, Inc. (STCI).

STCI is a TESDA-accredited technical and vocational school that offers certificate courses on automotive servicing (NCII), industrial electricity, machining (NCII), metal welding technology (NCI), mobile equipment technology and industrial equipment technology.

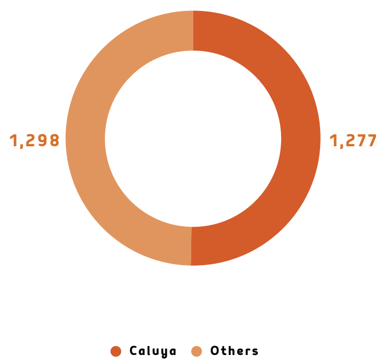
Applicants accepted into STCI receive free skills training and meal allowance for the duration of their vocational training. We also offer high-performing students with apprenticeship and job opportunities when there are mine site positions that need to be filled.

Since its establishment in 2006 until end-December 2014, STCI has attracted 1,253 enrollees, 946 of whom have graduated from their vocational programs. Almost half of these graduates (48%) remain as our employees.

Meanwhile, we also sponsored the skills training of 335 participants in Batangas. The trainings were on pipefitting, construction occupational safety and health, shielded metal arc welding, mechatronics, among others.

Nearly 250 teachers from Calaca and Balayan, Batangas also benefitted from the teacher trainings we funded in 2014. The participants received training on effective teaching techniques, maximizing academic performance and teaching Science through interactive approaches.

Workforce Geographic Origin



Employment and Livelihood

Half of our mine site workforce are from Caluya, Antique Province, making us the single biggest employer of the town. In 2014, our mine site payroll reached PhP898.43 million.

Outside of mine site employment, fishing and farming are the residents' main source of income.

Since 1999, we have been supporting the farming and fishing organizations on the island, to ensure their livelihood, particularly of those affected by our mining operations.

Two organizations that we helped establish and continue to support are the Semirara Fishing Association (SEMFA) and Community Relations (ComRel) fishing groups.

Some residents of Sitios Villaresis and Cabitin in Brgy. Semirara were also given pottery training to give them a new livelihood opportunity. A new kiln was built in Sitio Villaresis and the potters' products have been featured in the Tatusan Festival of the town.

For our host communities in Batangas, we sponsored seminars in biogas technology and mushroom culture and spawn production, so interested residents could pursue livelihood opportunities in these areas.

We also distributed pure-bred Brahman cattle to the Municipality of Calaca to upgrade their cattle breed.

Maligayang Semirara

Maligayang Semirara is a year-round arts, music and sports program that aims to promote fitness, wellness, creativity and work-life balance among residents and company workers.

It also provides the island youth with activities to help them discover and develop their skills in the arts, music and sports.

As of December 2014, Maligayang Semirara has about 500 active members from the Semirara Island community.

One of the activities under Maligayang Semirara was Summer Camp 2014, which attracted 423 participants from the islands of Semirara, Caluya and Sibay. Participants trained in athletics, badminton, baseball/softball, boxing, muay thai, dance, soccer, tennis, volleyball, brass band, rondalla and handicrafts.

Two fun runs were held in 2014, namely SemiraRUN, which drew 250 fitness enthusiasts on 10 August, and the Fiesta Run that attracted 430 runners on 12 December.

The athletic activities under the program have proven to be effective in the development of the host community's budding athletes. Several students from Semirara Island won trophies and medals in various sports competitions like the district, provincial and national games.

Notably, the Semirara tennis training team garnered two golds, two silvers and two bronzes, and emerged as 2nd runner-up at the Boys and Girls Division of the Regional Meet in February 2014. Two players even qualified for the Palarong Pambansa 2014.

Emergency preparedness

For the third consecutive year, we co-organized a comprehensive island-wide training on emergency response with the Office of the Municipal Mayor of Caluya and Brgy. Semirara.

In May 2014, the Office of the Provincial Disaster and Risk Reduction Management (PDRRM) was tapped to train the island management group and the teams of first responders. After which, the DRRM plans for Brgys. Alegria, Semirara and Tinogboc were completed and submitted to the Office of the Mayor of Caluya.

To further strengthen emergency and disaster preparedness in the island, we conducted more rigorous water rescue training for 108 community members and tapped more mine site workers to become first responders.

Through the collective efforts of our workers and local stakeholders, the number of first responders in the island increased by 21% from 89 to 108.

Resource Agency	Training Coverage	Participantys
1. Provincial Disaster and Risk Reduction and Management Office 2. Provincial Health Office	**First Responders Training** • First Aid • Basic Life Support • Ropemanship • DRRM concept • Incident Management System • Water Search and Rescue • Swift water search and rescue	Community leaders and volunteers from Brgys. Tinogboc, Semirara and Alegria
3. Provincial Social Welfare and Development Office	**Management Training** • DRRM concept • Incident Management System • Disaster Timeline, and Vulnerabilities, Risks and Hazards identification • BDDRM Planning	Barangay Council members of Brgys. Tinogboc, Semirara and Alegria Officers of Semirara Mining and Power Corporation

Grouping	Number of First Responders	
	February 2013	May 2014
Bgy. Semirara	34	36
Semirara Mining and Power Corporation	28	41
Office of the Mayor	5	2
Brgy. Alegria	16	16
Brgy. Tinogboc	6	13
Total	89	108

Semirara Mining and Power Corporation and Subsidiaries

(Formerly Semirara Mining Corporation and Subsidiaries)

Consolidated Financial Statements

December 31 , 2014 and 2013 and Years Ended December 31, 2014, 2013 and 2012

and

Independent Auditors' Report

FINANCIAL STATEMENTS

STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITY FOR INTERNAL CONTROLS & RISK MANAGEMENT SYSTEMS

The Board of Directors ("Board") of SEMIRARA MINING AND POWER CORPORATION is responsible for the internal controls and risk management systems. The Audit Committee assists the Board on its oversight of the internal control, risk management, financial reporting process, internal audit, external audit and compliance functions.

During the year, Management has established adequate and effective internal controls and risk management systems to provide reasonable assurance that:

- financial transactions are properly authorized, recorded and maintained to enable the preparation of financial statements that give a true, fair and transparent view of the Company's financial position and operating results; and
- governance processes, internal controls and significant risks are managed to ensure the achievement of the Company's business objectives.

Based on the assurance work performed by the Internal Audit and external auditor, reviews, reports and oversight duties performed by the Board's Audit Committee, the Board is of the opinion that the Company's internal controls and risk management systems are adequate and effective.

March 6, 2015

Isidro A. Consunji
Chairman and Chief Executive Officer

Victor A. Consunji
Vice Chairman, President and Chief Operating Officer

AUDIT COMMITTEE REPORT TO THE BOARD OF DIRECTORS

FOR THE YEAR ENDED DECEMBER 31, 2014

The Audit Committee ("Committee") oversees, on behalf of the Board of Directors ("Board"), the following matters as defined in its Board-approved Audit Committee Charter :

- Financial reporting process and integrity of the financial statements,
- Internal control environment,
- external audit performance,
- internal audit performance,
- risk management, and
- compliance with applicable legal and regulatory requirements.

The Committee is comprised of three (3) Members of the Board, two of whom are Independent Directors. It is chaired by an Independent Director. The Committee Members meet the experience and other qualification requirements of the Securities and Exchange Commission.

In 2014, the Audit Committee had nine (9) meetings, all of which were in-person meetings with Management, external auditor SGV & Co., Internal Audit, Corporate Counsel, Chief Governance Officer/ Compliance Officer and Compliance Committee members. Meetings were presided by the Committee Chairman with attendance by all its Members, except in September 12, October 20 and November 6, 2014 when said meetings were held with a quorum of two Members.
In compliance with its Charter, the Audit Committee confirms that:

- *The Committee reviewed and discussed with Management and SGV & Co. the quarterly unaudited and annual audited consolidated financial statements of Semirara Mining and Power Corporation and Subsidiaries (SMPC Group) as of and for the year ended December 31, 2014. These activities were done in the context that Management has the primary responsibility for the financial statements and the reporting process, and that SGV & Co. is responsible for expressing an opinion on the conformity of the Company's audited consolidated financial statements with Philippine Financial Reporting Standards;*
- *The Committee's Independent Directors reviewed material/significant related party transactions, i.e. those that meet the threshold level stipulated per SEC regulations/requirements, to determine whether they are in the best interests of the Company and shareholder;*
- *The Committee reviewed and approved the Management representation letter before submission to SGV & Co. to ensure all representations are in line with the understanding of the Committee;*
- *The Committee reviewed and approved SGV & Co.'s overall audit scope, plan and audit-related services, fees and terms of engagements. It recommended to the Board the re-appointment of SGV & Co. as the Company's independent external auditor for 2015 based on SGV's performance, independence, qualifications and due regard of Management feedback;*
- *The Committee reviewed and approved SMPC Group Internal Audit's 2014 plan and scope based on a risk-based approach and results of assurance work and ensured Management provided adequate resources to support the function and maintain its independence. It reviewed and*

evaluated the effectiveness of the internal audit function, and met in executive sessions with SMPC Group Internal Audit during the year;

- *The Committee reviewed and discussed with Management, SGV & Co., SMPC Group Internal Audit and Compliance Committee the adequacy and effectiveness of internal control and ensured Management responded appropriately for the continual improvement of processes and controls. The oversight is done in the context that Management has the responsibility and accountability for addressing internal control;*
- *The Committee discussed with Management and SMPC Group Internal Audit the results of risk reviews and identified key risks to the Company's mission and strategic objectives, ensuring the adequacy of the Company's Enterprisewide Risk Management framework, risk management processes, systems, risk mitigation measures, monitoring and reporting. The oversight is done in the context that Management has the primary responsibility for the risk management process;*
- *The Committee reviewed and discussed with the Compliance Committee significant updates and Management actions on SEC, PSE, legal, tax, claims, litigations, environmental, safety and other regulatory matters. The oversight is done in the context that Management has the responsibility and accountability for compliance with legal and regulatory matters;*
- *The Committee conducted an assessment of its own performance which indicated an overall compliance level in consonance with SEC's Audit Committee performance assessment guidelines for publicly-listed companies;*
- *The Committee Chair attended the Annual Stockholders' Meeting on May 5, 2014 to address possible shareholder queries on Committee matters; and*
- *The Committee continued to support the Company's governance framework through continual review and endorsement to the Board of good governance policies and best practices.*

Based on the reviews and discussions referred to above, and subject to the limitations on the Committee's roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors the inclusion of the Company's audited consolidated financial statements as of and for the year ended December 31, 2014 in the Company's Annual Report to the Stockholders and for filing with the Securities and Exchange Commission.

March 6, 2015

Victor C. Macalincag
Committee Chair, Independent Director

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

FINANCIAL STATEMENTS

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.

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. 08-001998-74-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751335, January 5, 2015, Makati City

March 6, 2015

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Semirara Mining and Power Corporation
2nd Floor, DMCI Plaza Building
2281 Pasong Tamo Extension
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Semirara Mining and Power Corporation and its subsidiaries (the Group) as at December 31, 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
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April 11, 2012, valid until April 10, 2015
PTR No. 4751335, January 5, 2015, Makati City

March 6, 2015

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
						For the Year Ended December 31, 2012
Balances as of January 1, 2012						
Comprehensive income	₱356,250,000	₱6,675,527,411	₱7,073,379,674	₱700,000,000	(₱2,072,866)	₱14,803,084,219
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, 2013	₱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

	Years Ended December 31		
	2014	2013	2012
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
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 (P), 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 P1.25 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 internalmanagement purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondaryreporting 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:

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 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 Arrangement*s

  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.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.
If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the 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 Plantand 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 Type	Dates of Availment	Outstanding Balance 2014	2013	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
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
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	₱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	₱74/share	June 10, 2010	632
Add: Share rights offering	59,375,000			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
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	P2,979,130,602	(₱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.

	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 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 repricedevery 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 benchmarkyield 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

2013

	Interest	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Carrying Value
$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.

	Increase (decrease) in income before tax	
Reasonably possible change in the Philippine peso-US dollar exchange rate	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 Grade	Past due and/or Individually Impaired	Total
	Grade A	Grade B			
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 Grade	Past due and/or Individually Impaired	Total
	Grade A	Grade B			
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)	-	2,429,297	(17,243,421)
Depreciation and amortization	(1,154,687)	(926,330)	-	225,605	(1,684,065)
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)

2014 (In thousands)

	Mining	Power	Others	Adjustments and Eliminations	Consolidated
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
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.

FIVE-YEAR SUMMARY

	2014	2013	2012	2011	2010
Selected Income Statement items					
Revenues	28,585,341,089	27,331,159,983	24,150,247,548	25,813,584,789	22,897,848,475
Cost of Sales	18,927,486,541	14,110,496,128	14,643,940,856	16,660,619,462	15,990,034,213
Gross Profit	9,657,854,548	13,220,663,855	9,506,306,692	9,152,965,327	6,907,814,262
OPEX	3,232,990,693	5,264,517,633	3,398,375,301	2,856,258,209	2,721,234,918
NIBT	6,308,427,349	7,401,752,978	6,398,244,273	6,009,883,196	3,917,546,726
Income Tax	(552,867,130)	117,838,304	(39,604,266)	21,894,514	(35,161,531)
NIAT	6,861,294,479	7,519,591,282	6,342,247,179	6,031,136,575	3,952,708,257
Selected Balance Statement items					
Cash and Cash Equivalents		4,819,307,265	534,390,774	5,005,240,275	3,813,283,517
Total Assets	51,901,375,694	44,727,390,894	36,195,331,090	35,629,535,727	30,494,709,412
Total Liabilities	29,195,164,178	24,599,879,190	19,324,999,692	20,826,451,508	18,154,806,230
Stockholders' Equity	22,706,211,516	20,127,511,704	16,870,331,398	14,803,084,219	12,339,903,182
Key financial ratios					
Gross Profit Margin	34%	48%	39%	35%	30%
Net Profit Margin	24%	28%	26%	23%	17%
EBITDA	8,615,780,954	11,634,983,175	9,764,209,570	9,402,781,865	7,152,414,679
*EPS	6.42	7.04	5.95	5.64	4.03
Current Ratio	1.1	1.5	1.0	1.2	1.5
DE ratio	1.3	1.2	1.1	1.4	1.5
Return on Assets	13%	17%	18%	17%	13%
Return on Equity	30%	37%	38%	41%	32%

FURTHER INFORMATION ON BOARD OF DIRECTORS

David M. Consunji, 93
Filipino
Chairman Emeritus

Board Appointment:
- Date of appointment as Chairman Emeritus: November 2014
- Chairman of the Board from May 2001 to November 2014
- Date of first appointment as a director: May 2001
- Date of last re-election as a director: May 2014
- Length of service as a director: 13 years

Present Directorship in Listed Company and Position:
- Nil

Other Directorships and Positions:
- Chairman, D.M. Consunji, Inc.
- Chairman, Dacon Corporation
- Chairman, Semirara Cement Corp.
- Chairman, SEM-Calaca Power Corporation
- Chairman, Semirara Claystone Inc.
- Chairman, Semirara Energy Utilities Inc.
- Chairman, St. Raphael Power Generation Corporation
- Chairman, SEM-Balayan Power Generation Corporation
- Chairman, Southwest Luzon Power Generation Corporation
- Chairman, SEM-Cal Industrial Park Developers Inc.
- Director, Atlantic Gulf & Pacific Co., Inc.

Prior Government Position:
- Secretary, Department of Public Works, Transportation and Communications, August 1971 to 1975

Education:
- B.S. Civil Engineering
  University of the Philippines, Diliman

Isidro A. Consunji, 66
Filipino
Chairman , Chief Executive Officer

Board Appointment:
- Date of appointment as Chairman: November 2014
- Vice-Chairman: May 2001 to November 2014
- Date of first appointment as a director: May 2001
- Date of last re-election as a director: May 2014
- Length of service as a director: 13 years

Board Committee(s) served on:
- Member, Nomination & Election Committee

Present Directorships in Listed Companies and Positions:
- Chairman and President, DMCI Holdings, Inc. (within Company Group)
- Non-Executive Director, Crown Equities, Inc.
- Non-Executive Director, Atlas Consolidated Mining and Development Corp.

Other Directorships and Positions:
- Chairman and CEO, 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, DMCI Mining Corporation, DMCI Homes, ENK Plc (U.K.) and Beta Electric Corporation
- Vice-Chairman, DMCI Masbate Power Corporation
- Vice-Chairman and Director of DMCI-MPIC Water Company
- Director, Dacon Corporation, M&S Company Inc., DMCI Projects Developers, Inc., Toledo Mining Corporation Plc (U.K.) Semirara Cement Corporation, Maynilad Water Services, Inc., and SEM-Calaca Res Corporation

Education:
- B.S. Civil Engineering
  University of the Philippines, Diliman
- Master of Business Economics
  Center for Research and Communication (now University of Asia and the Pacific)
- Master in Business Administration
  Asian Institute of Management
- Advanced Management Program
  IESE School in Barcelona, Spain

Victor A. Consunji, 64
Filipino
Vice Chairman , President and COO

Board Appointment:
- Date of appointment as Vice Chairman: November 2014
- Date of first appointment as a director: May 2001
- Date of last re-election as a director: May 2014
- Length of service as a director: 13 years

Board Committee(s) served on:
- Member, Audit Committee

Present Directorship in Listed Company and Position:
- Non-Executive, DMCI Holdings, Inc. (within Company Group)

Other Directorships and Positions:
- President and COO, 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 and CEO, Semirara Training Center, Inc.
- Chairman and CEO, DMCI Power Corporation
- Chairman and President, Sirawai Plywood & Lumber Corp. and SEM-Calaca Res Corporation
- Chairman, Divine Word School of Semirara Island, Inc.
- Director, 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
- President, Sirawai Plywood & Lumber Corp.
- Vice-President, Dacon Corporation.

Education:
- A.B. Political Science
  Ateneo de Davao University

Jorge A. Consunji, 63
Filipino
Non-executive Director

Board Appointment:
- Date of first appointment as a director: May 2001
- Date of last re-election as a director: May 2014
- Length of service as a director: 13 years

Present Directorship in Listed Company and Position:
- Non-Executive, DMCI Holdings, Inc. (within Company Group)

Other Directorships and Positions:
- Chairman, DMCI Masbate Power Corporation and Wire Rope Corp. of the Philippines
- Vice-Chairman, Beta Electric Corporation
- Director, 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 and COO, D.M. Consunji, Inc. and Royal Star Aviation, Inc.
- Vice-President, Divine Word School of Semirara Island, Inc.

Education:
- B.S. Industrial Management Engineering
  De La Salle University, Manila

Cesar A. Buenaventura, 85
Filipino
Non-executive Director

Board Appointment:
- Date of first appointment as a director: May 2001
- Date of last re-election as a director: May 2014
- Length of service as a director: 13 years

Present Directorships in Listed Companies and Positions :
- Non-Executive and Vice Chairman, DMCI Holdings, Inc. (within Company Group)
- Independent Director, PetroEnergy Resources Corporation
- Independent Director, iPeople, Inc.

Other Directorships and Positions:
- Chairman, Maibarara Geothermal, Inc., Atlantic Gulf & Pacific Company of Manila (AG&P) and Buenaventura Echauz and Partners, Inc.
- Vice -Chairman, Montecito Properties, Inc.
- Director, Pilipinas Shell Petroleum Corporation, Philippine American Life Insurance Company, and Manila International Airport Authority
- Founding Chairman, Pilipinas Shell Foundation, Inc.
- Founding member of the Board of Trustees of the Makati Business Club.

Special Recognition:
- Honorary Officer, Order of the British Empire (OBE) by Her Majesty Queen Elizabeth II

Prior Government Position:
- Member, Monetary Board, Central Bank of the Philippines

Education:
- BS Civil Engineering
  University of the Philippines, Diliman
- MS Civil Engineering (Fulbright Scholar)
  Lehigh University, USA

Herbert M. Consunji, 62
Filipino
Non-executive Director

Board Appointment:
- Date of first appointment as a director: May 2001
- Date of last re-election as a director: May 2014
- Length of service as a director: 13 years

Present Directorship in Listed Company and Position:
- Executive Director, Vice President & Chief Finance Officer, DMCI Holdings, Inc. (within Company Group)

Other Directorships and Positions:
- Chairman, Subic Water & Sewerage Corp. and Philippine Hydro Inc.
- Director, DMCI Power Corporation, DMCI Mining Corporation, SEM-Calaca Power Corp., Southwest Luzon Power Water & Sewerage Corp. Generation Corporation, SEM-Cal Industrial Park Developers Inc.
- Chief Operating Officer, Maynilad Water Services, Inc.
- Treasurer, SEM-Calaca Res Corporation
- Partner, H.F. Consunji & Associate.

Education:
- B.S. Commerce Major in Accounting
  De La Salle University, Manila

Ma. Cristina C. Gotianun, 60
Filipino
Executive Director, Executive Vice President

Board Appointment:
- Date of first appointment as a director: May 2006
- Date of last re-election as a director: May 2014
- Length of service as a director: 8 years

Board Committee(s) served on:
- Member, Compensation and Remuneration
- Member, Compliance Committee (sub-Committee, Audit Committee)

Present Directorship in Listed Company and Position:
- Assistant Treasurer, DMCI Holdings, Inc. (within Company Group)

Other Directorships and Positions:
- Director and Corporate Secretary, Dacon Corporation
- Vice President for Finance & Administration/CFO, D.M. Consunji, Inc.
- Finance Director, DMC-Project Developers, Inc.
- Director and Treasurer, 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.
- Trustee, Chief Finance Officer and Corporate Secretary, Divine Word School of Semirara Island, Inc.

Education:
- BS Business Economics
  University of the Philippines, Diliman
- Spanish
  Instituto de Cultura Hispanica
  Madrid, Spain

Affiliation:
- Fellow, Institute of Corporate Directors

Ma. Edwina C. Laperal, 53
Filipino
Non-executive Director

Board Appointment:
- Date of first appointment as a director: May 2007
- Date of last re-election as a director: May 2014
- Length of service as a director: 7 years

Present Directorship in Listed Company and Position:
- Executive Director, Treasurer, DMCI Holdings, Inc. (within Company Group)

Other Directorships and Positions:
- Treasurer, Dacon Corporation, DMCI Project Developers, Inc., and DMCI Urban Property Developers, Inc.
- Director, DMCI Project Developers, Inc., D.M. Consunji, Inc., Sem-Calaca Power Corp., Dacon Corp. and DFC Holdings, Inc.

Education:
- B.S. Architecture
  University of the Philippines, Diliman
- Master in Business Administration
  University of the Philippines, Diliman
- Executive Certificate for Strategic Business Economics Program
  University of Asia & The Pacific

Affiliation:
- Fellow, Institute of Corporate Directors

George G. San Pedro, 75
Filipino
Executive Director
Vice President for Operations and Resident Manager

Board Appointment:
- Date of first appointment as a director: May 2001
- Date of last re-election as a director: May 2014
- Length of service as a director: 13 years

Board Committee(s) served on:
- Member, Compliance Committee (sub-Committee, Audit Committee)

Other Directorships and Positions:
- President, Divine Word School of Semirara Island, Inc.
- Vice-President, Semirara Training Center, Inc.

Education:
- B.S. Civil Engineering
  University of the Philippines, Diliman

Victor C. Macalincag, 79
Filipino
Independent Director

Board Appointment:
- Date of first appointment as Independent Director: May 2005
- Date of last re-election as a director: May 2014
- Length of service as a director: 9 years

Board Committee(s) served on:
- Chairman, Audit Committee
- Chairman, Nomination and Election Committee
- Chairman, Compensation and Remuneration Committee

Present Directorships in Listed Companies and Positions:
- Independent Director, Crown Equities, Inc.
- Independent Director, Republic Glass Holdings Corp.
- Independent Director, ISM Communications Corp.
- Independent Director, Atok-Big Wedge Co., Inc.
- Independent Director, PhilWeb Corporation

Other Directorships and Positions:
- Independent Director, SEM-Calaca Power Corporation
- Independent Director, Alphaland Corporation
- Independent Director, Ceres Property Ventures, Inc.
- Chairman, One Wealthy Nation Fund, Inc.
- Director, Asian Alliance Investment Corp.

Previous Directorships and Positions:
- Director, Home Guarantee Corporation, Philippine Overseas Construction Board, Philippine Long Distance Telephone Company, National Power Corporation, Universal LRT-7 Corporation, and Philippine Deposit Insurance Corporation
- Chairman, Pilipinas Bank
- Executive Vice-President, Land Bank of the Philippines
- Director, Philippine Aerotransport, Inc., Paper Industries Corporation of the Philippines, Lumang Bayan Realty Corporation, and Manila Midtown Development Corporation

Prior Government Positions:
- Undersecretary, Philippine Department of Finance (1986-1991)
- Deputy Minister, Philippine Ministry of Finance (1981-1986)
- Treasurer of the Philippines (1983-1987)
- President, Trade & Investment Development Corporation of the Philippines (1991-2001)

Education:
- B.S. Business Administration
  University of the East
- Certified Public Accountant
- M.A. Economics
  University of the East
- Fellow
  World Bank Economic Development Institute

Rogelio M. Murga, 80
Filipino
Independent Director

Board Appointment:
- Date of first appointment as Independent Director : November 2014
- Length of service as a director: 2 months

Board Committee(s) served on:
- Member, Audit Committee
- Member, Nomination and Election Committee
- Member, Compensation and Remuneration Committee

Present Directorship in Listed Company and Position:
- Nil

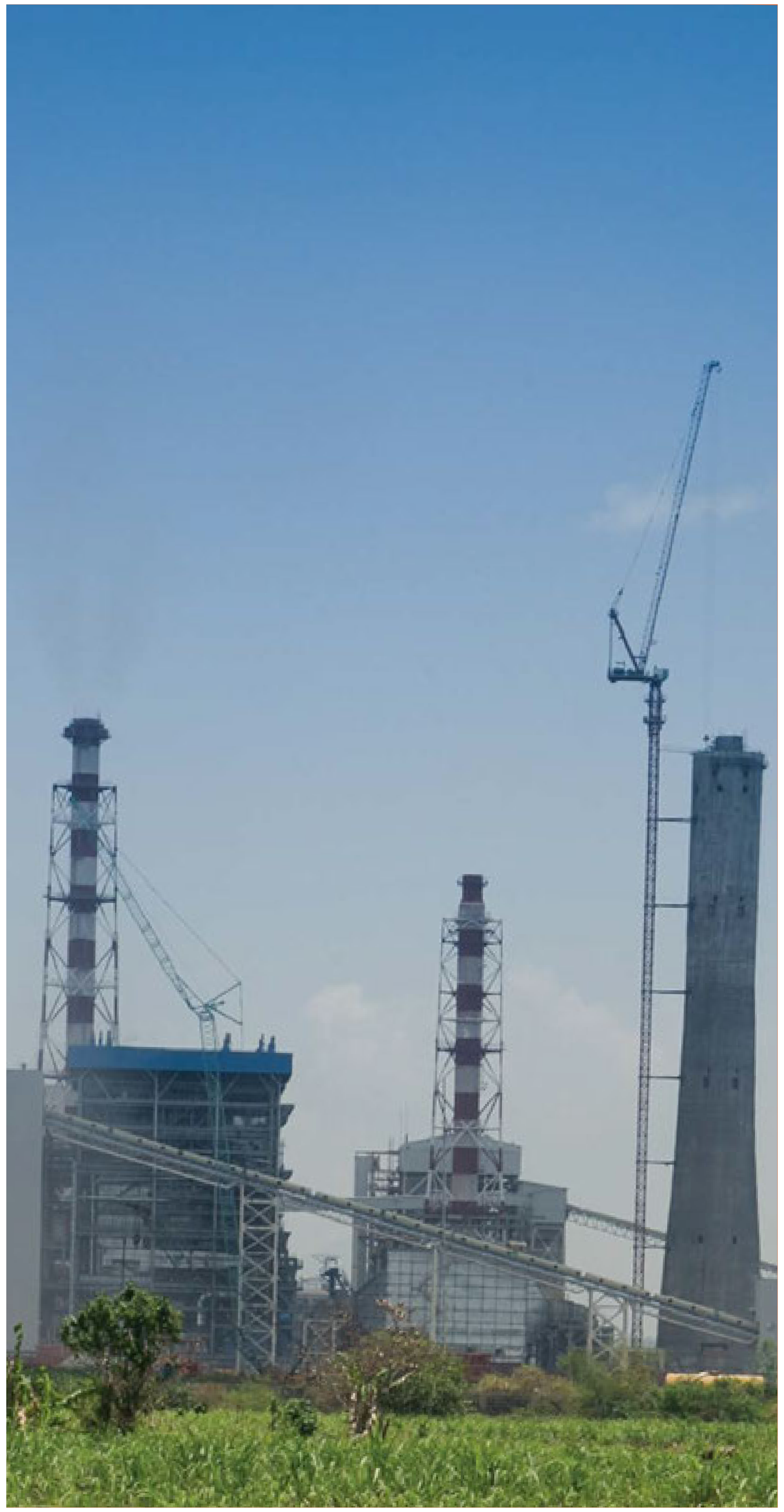
Present Directorships and Positions:
- Chairman and CEO, Private Infrastructure Development Corporation
- Independent Director, Meralco Industrial Engineering Services Corp.

Previous Directorships and Positions:
- President and CEO, National Power Corporation
- President and Chief Operating Officer, EEI Corporation
- Vice Chairman and Director, EEI Corporation
- President, Philippine Constructors Association
- President, International Federation of Asian and Western Pacific Contractors' Associations

Education:
- B.S. Mechanical Engineering
  University of the Philippines, Diliman
- Senior Management Program
  Harvard Business School, Vevey, Switzerland

SUBSIDIARIES

The Company has seven (7) wholly-owned (100%) subsidiaries:



SEM-Calaca Power Corporation
Incorporation Date: 19 November 2009
Purpose: Power Generation

SEM-Cal Industrial Park Developers Inc.
Incorporation Date: 27 April 2011
Purpose: Economic Zone Development

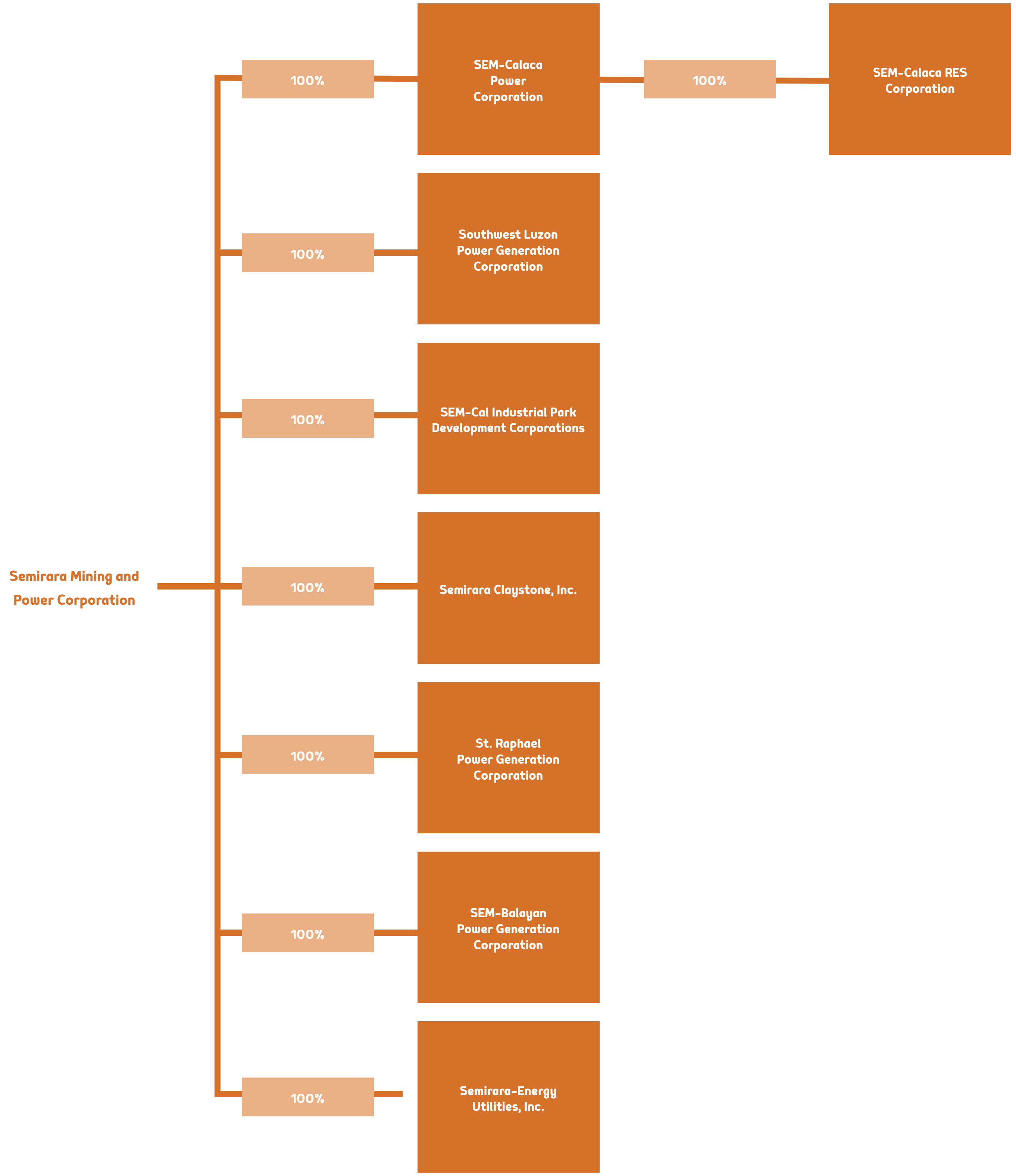
Southwest Luzon Power Generation Corporation
Incorporation Date:31 August 2011
Purpose: Power generation

Semirara Claystone Inc.
Incorporation Date: 29 November 2012
Purpose: Clay Products Manufacturing

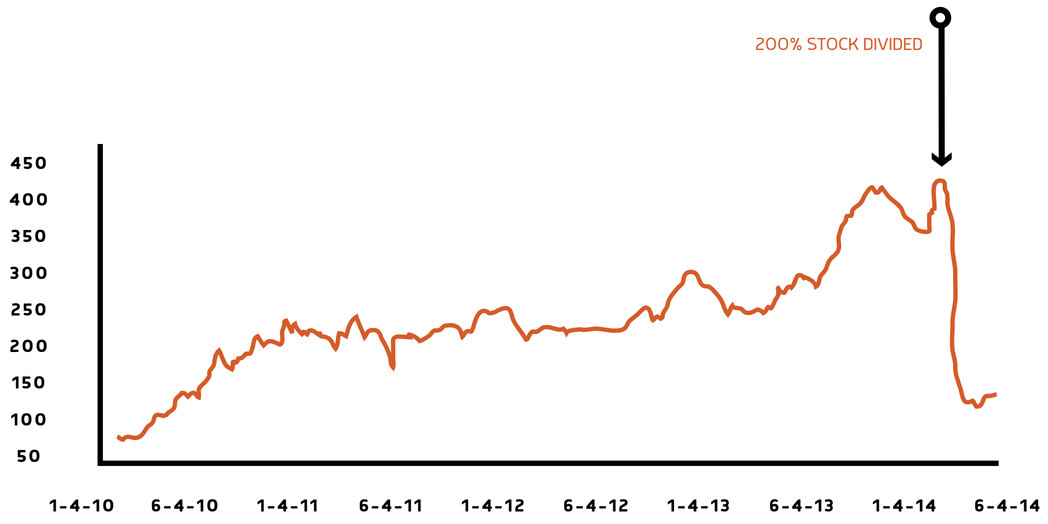
Semirara Energy Utilities Inc.
Incorporation Date: 18 February 2013
Purpose: Electric Service Provider for Remote and Unviable Areas

SEM-Balayan Power Generation Corporation
Incorporation Date: 9 September 2013
Purpose: Power Generation

St. Raphael Power Generation Corporation
Incorporation Date: 10 September 2013
Purpose: Power Generation.



SHARE PRICE



Share Price (PhP)	2010	2011	2012	2013	2014
High	98	234	226.60	306	143.80
Low	76.50	207	214.40	220	93.67

*prices adjusted to post-200% stock dividend

FINANCIAL CALENDAR

2013	2014	2015	2016
12 March Announcement of full year results 2012	06 March Announcement of full year results 2013	06 March Announcement of full year results 2014	Announcement of full year results 2015
06 May Annual Stockholder's Meeting	05 May Annual Stockholder's Meeting	04 May Annual Stockholder's Meeting	
14 May Announcement of first quarter results 2013	08 May Announcement of first quarter results 2014	May Announcement of first quarter results 2015	
29 May Payment Date of cash dividends at P12.00 per share declared on April 30, 2013 based on unrestricted retained earnings for financial year ended 31 December 2012	28 May Payment Date of cash dividends at P12.00 per share declared on April 29, 2014 based on unrestricted retained earnings financial year ended 31 December 2013	August Announcement of second quarter results 2015	
08 August Announcement of second quarter results 2013	07 August Announcement of second quarter results 2014	November Announcement of third quarter results 2015	
12 November Announcement of third quarter results 2013	18 August Approval date of Securities and Exchange Commission of Corporation's increase in authorized capital stock from P1 Billion to P3 Billion		
	24 September Payment Date 200% stock dividends		
	11 November Announcement of third quarter results 2014		

SHAREHOLDER STATISTICS

The Company's common stock is listed on the Philippine Stock Exchange under the symbol "SCC". As of 31 December 2014, our total outstanding shares were **1,068,750,000.**

The following are the top 20 Shareholders and their respective shareholdings:

Name	Number of Shares
DMCI Holdings, Inc.	601,942,599
PCD Nominee Corp. - Filipino	143,473,623
Dacon Corporation	130,825,527
PCD Nominee Corp. - Non-Filipino	120,898,542
National Development Company	34,093,974
DFC Holdings, Inc.	20,591,229
Freda Holdings, Inc	4,592,313
Regina Capital Development Corp.	2,409,000
Fernwood Investments, Inc	2,389,002
Privatization and Management Office	2,308,350
Double Spring Investments Corp.	1,348,992
Guadalupe Holdings Corp	1,045,116
Augusta Holdings, Inc.	760,425
Berit Holdings, Inc.	452,811
Meru Holdings, Inc.	346,800
Cobankiat, Johnny O.	278,760
Vendivel Olga P.	240,000
Garcia, Jayme	120,090
Windermere Holdings, Inc.	105,231
Fernwood Investments, Inc.	84,327

INDUSTRY CONCEPTS AND TERMS

Base Load Unit	A power plant that is planned to run continually, except for maintenance and scheduled or unscheduled outages.
Bed	A layer of coal or other sedimentary deposit.
Bench	A narrow strip of land cut into the side of an open-pit mine. These step-like zones are created along the walls of an open-pit mine for access and mining.
Bilateral Contract Quantity (BCQ)	The quantity of electricity that has been sold by one party to another at a particular node, as agreed upon by both parties in a bilateral contract.
Boiler	A closed vessel in which water is converted to pressurized steam.
Btu	British thermal unit. A measure of the energy required to raise the temperature of one pound of water one degree Fahrenheit.
Calorific value	The quantity of heat that can be liberated from one pound of coal or oil measured in BTUs.
Capacity	The maximum power that can be produced by a generating resource at specified times under specified conditions.
Capacity Factor	A percentage that tells how much of a power plant's capacity is used over time. For example, typical plant capacity factors range as high as 80 percent for geothermal and 70 percent for co-generation.
Coal Seam	A mass of coal, occurring naturally at a particular location, that can be commercially mined.
Coal washing	The process of separating undesirable materials from coal based on differences in densities
Dependable Capacity	The systems' ability to carry the electric power for the time interval and period specific, when related to the characteristics of the load to be supplied. Dependable capacity is determined by such factors as capability, operating power factor, weather, and portion of the load the station is to supply.
Dispatch	The operating control of an integrated electric system to: Assign generation to specific generating plants and other sources of supply to effect the most reliable and economical supply as the total of the significant area loads rises or falls. Control operations and maintenance of high-voltage lines, substations and equipment, including administration of safety procedures. Operate the interconnection. Schedule energy transactions with other interconnected electric utilities.
Distribution Utility (DU)	Any electric cooperative, private corporation, government-owned utility or existing local government unit that has an exclusive franchise to operate a distribution system.
Flue Gas	Gas that is left over after fuel is burned, which is then disposed of through a pipe or stack to the outer air.
Flue Gas Desulfurization (FGD)	Any of several forms of chemical/physical processes that remove sulfur compounds formed during coal combustion.
Fluidized Bed Combustion	A process for burning powdered coal that is poured in a liquid-like stream with air or gases. The process reduces sulfur dioxide emissions from coal combustion
Fluidized Bed Combustion (FBD)	A combustion technology used to burn solid fuels.
Fly ash	Ash produced during combustion of coal.
Forced Outage	The shutdown condition of a power station, transmission line or distribution line when the generating unit is unavailable to produce power due to unexpected breakdown, which could be due to equipment failures, disruption in the power plant fuel supply chain, operator error, etc.
Generation Company	Any person or entity authorized by the ERC to operate facilities used in the generation of electricity.
Gigawatt (GW)	One thousand megawatts (1,000 MW) or one million kilowatts (1,000,000 kW) or one billion watts (1,000,000,000 watts) of electricity.
Gigawatt-hour (GWH)	One million kilowatt-hours of electric power.
Grid	The electric utility companies' transmission and distribution system that links power plants to customers through high-power transmission line service
Independent Power Producer (IPP)	An existing power-generating entity that is not owned by the National Power Corporation.
Installed Capacity	The total manufacturer-rated capacities of equipment, such as turbines, generators, condensers, transformers, and other system components.
Kilowatt (kW)	A unit of electrical power equal to one thousand watts.
Kilowatt-hour (kWh)	A basic unit of electrical energy which equals one kilowatt of power used for one hour.
Load	The amount of electric power delivered or required at a given point on a system.
Load factor	The ratio of average load to peak load during a specific period of time, expressed as a percent.
Megawatt (MW)	A unit of electrical power equal to one million watts or one thousand kilowatts.
Megawatt-hour (Mwh)	A unit of electrical energy which equals one megawatt of power used for one hour.
Off peak	A period of relatively low demand for electrical energy, such as the middle of the night.
Open pit mining	A surface mining technique of extracting rock or minerals from the earth by their removal from an open pit or borrow. This technique is used when deposits of commercially useful minerals or rocks are found near the surface. Also known as open-cut mining or opencast mining
Outage	An interruption of electric service that is temporary (minutes or hours.
Outcrop	Coal that appears at or near the surface.
Overburden	Layers of soil and rock covering a coal seam. Overburden is removed prior to surface mining and replaced after the coal is taken from the seam.
Peak load	The maximum electrical load demand in a stated period of time. On a daily basis, peak loads occur at midmorning and in the early evening.
Peak load plant	A power plant which is normally operated to provide power during maximum load periods. Examples are combustion turbines and pumped storage hydro.
Peaking Capacity	The capacity of generating equipment intended for operation during the hours of highest daily, weekly or seasonal loads.
Reserve Capacity	Extra generating capacity available to meet peak or abnormally high demands for power and to generate power during scheduled or unscheduled outages.
Royalty	The payment of a certain stipulated sum on the mineral produced.
Seam	A layer or bed of coal. A coal seam is categorized as major seam if it contains at least one million metric tons of coal resources.
Strip Ratio	Ratio between waste moved in cubic meters for every metric ton of coal produced. A strip ratio of 10:1 means 10 cubic meters of waste materials are hauled to produce 1 ton of coal.
Sub-bituminous coal	A type of coal used primarily as fuel for steam-electric power generaton.
Total Product Coal (TPC)	Combination of washed coal and clean coal.
Turbine	The part of a generating unit that is spun by the force of water or steam to drive an electric generator. A turbine usually consists of a series of curved vanes or blades on a central spindle.
Wholesale Electricity Spot Market (WESM)	The Philippine spot market for the trading of electricity as a commodity.

CORPORATE INFORMATION

Registered Office
2nd Floor DMCI Plaza
2281 Don Chino Roces Avenue, Makati City, Philippines
Tel: (632) 888-3055
Fax: (632) 888-3955
www.semiraramining.com

Stock Exchange Listing
Philippine Stock Exchange

Common Stock Symbol
SCC

Stock Transfer Agent
Rizal Commercial Banking Corporation
7th Floor, RCBC Building
333 Sen. Gil J. Puyat Avenue, Makati City, Philippines
T +632 894-9000
F +632 894-9569

External Auditors
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6760 Ayala Avenue, Makati City, Philippines
Tel: (632) 891-0307
Fax: (632) 819-0872 / (632) 818-1377

External Counsel
Castillo Laman Tan Pantaleon & San Jose
The Valero Tower
2nd to 5th, and 9th floors
122 Valero Street, Salcedo Village, Makati City, Philippines
Tel: (632) 817-6791 to 95
(632) 810-4371
Fax: (632) 819-2724 to 25

Investor Relations
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