UNWAVERING STRENGTH

INTEGRATED ANNUAL REPORT 2015

ABOUT THE COVER

With its unwavering strength, the Company, despite the unforeseen problems encountered, was able to rise above the challenges and even surpassed our past financial performance. The cover depicts the Company's transformation to the only integrated coal-fired power producer in the country. Through its solid foundation, the Company with the help of its partners and stakeholders, is more confident to conquer any challenges it will face as we move forward in creating greater value.

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MESSAGE TO SHAREHOLDERS

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PERFORMANCE REVIEW

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CORPORATE SUSTAINABILITY AND RESPONSIBILITY

FINANCIAL STATEMENTS

Milestones

2009

Acquisition of 2 x 300 MW
Calaca power plants
(Sem-Calaca Power Generation Corp.)

2010

Stock Rights Offering
of 59.375m shares
Increased outstanding
common shares
to 356.25m

2011

Signed 7-year PSA with Meralco,
extendable for another
3 years for 420 MW

Investment in additional power
capacity/ 2x150 CFB via wholly-
owned subsidiary

2012

Financial close of
P11.5 billion project debt facility
to finance Phase 1 expansion

Commenced construction of
Phase I power expansion of 2x150
MW in Calaca

BOI Registration of Narra Mine
under non-pioneer status,
maximum of 8 years

2013

Awarded 2 new mining areas
(Mindoro and Mindanao)

Incorporated 2 new corporations
for power capacity expansion

2nd runner up - CSR Category, 2013
ASEAN Coal Energy Awards

2014

Record high volume
of coal sold at 8.9M MTs

Completed the series of major
rehabilitation of 2x300MW power
plant (Units 1 and 2)

Issued 200% stock
dividend

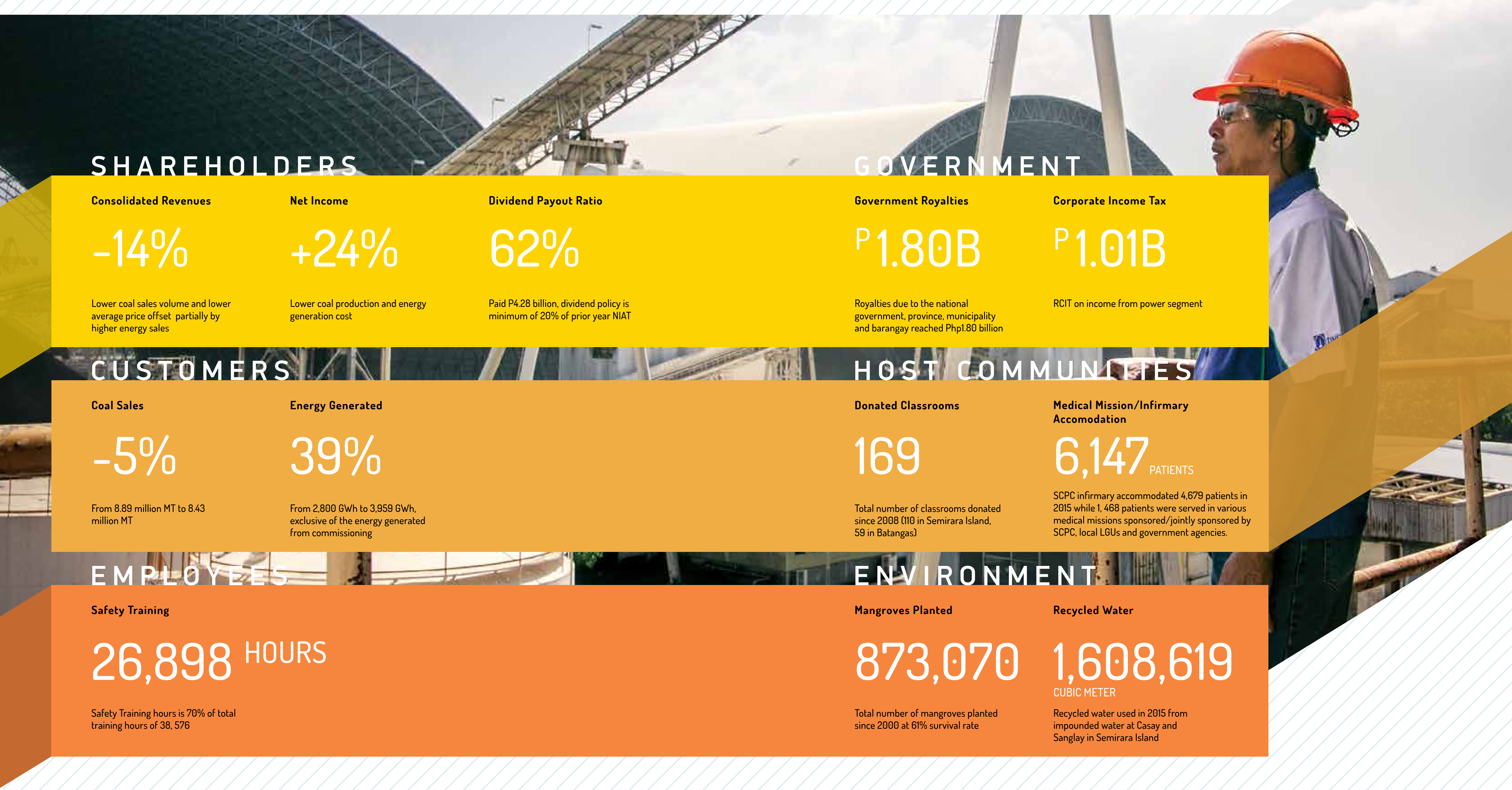
2015

Record high energy generation
of 2x300MW plants (Units 1 and 2)
at 3,959 GWh.

Started commissioning
2x150 MW CFB power plant.

Top 50 PLCs in 2015 ASEAN
Corporate Governance
scorecard with score 95.66

Highlights



SHAREHOLDERS

Consolidated Revenues

-14%

Lower coal sales volume and lower average price offset partially by higher energy sales

Net Income

+24%

Lower coal production and energy generation cost

Dividend Payout Ratio

62%

Paid P4.28 billion, dividend policy is minimum of 20% of prior year NIAT

GOVERNMENT

Government Royalties

P1.80B

Royalties due to the national government, province, municipality and barangay reached Php1.80 billion

Corporate Income Tax

P1.01B

RCIT on income from power segment

CUSTOMERS

Coal Sales

-5%

From 8.89 million MT to 8.43 million MT

Energy Generated

39%

From 2,800 GWh to 3,959 GWh, exclusive of the energy generated from commissioning

HOST COMMUNITIES

Donated Classrooms

169

Total number of classrooms donated since 2008 (110 in Semirara Island, 59 in Batangas)

Medical Mission/Infirmary Accomodation

6,147 PATIENTS

SCPC infirmary accommodated 4,679 patients in 2015 while 1, 468 patients were served in various medical missions sponsored/jointly sponsored by SCPC, local LGUs and government agencies.

EMPLOYEES

Safety Training

26,898 HOURS

Safety Training hours is 70% of total training hours of 38, 576

ENVIRONMENT

Mangroves Planted

873,070

Total number of mangroves planted since 2000 at 61% survival rate

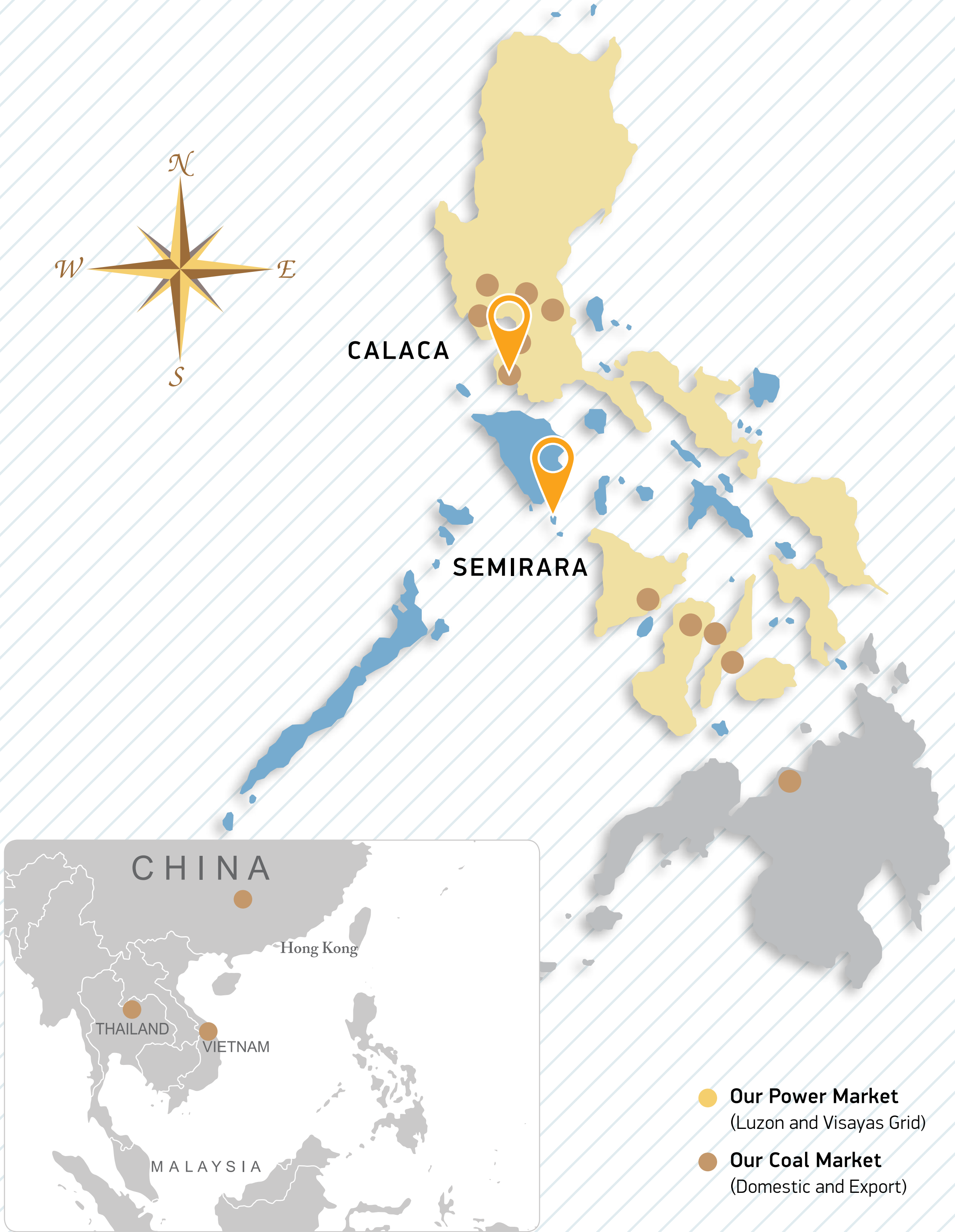
Recycled Water

1,608,619 CUBIC METER

Recycled water used in 2015 from impounded water at Casay and Sanglay in Semirara Island

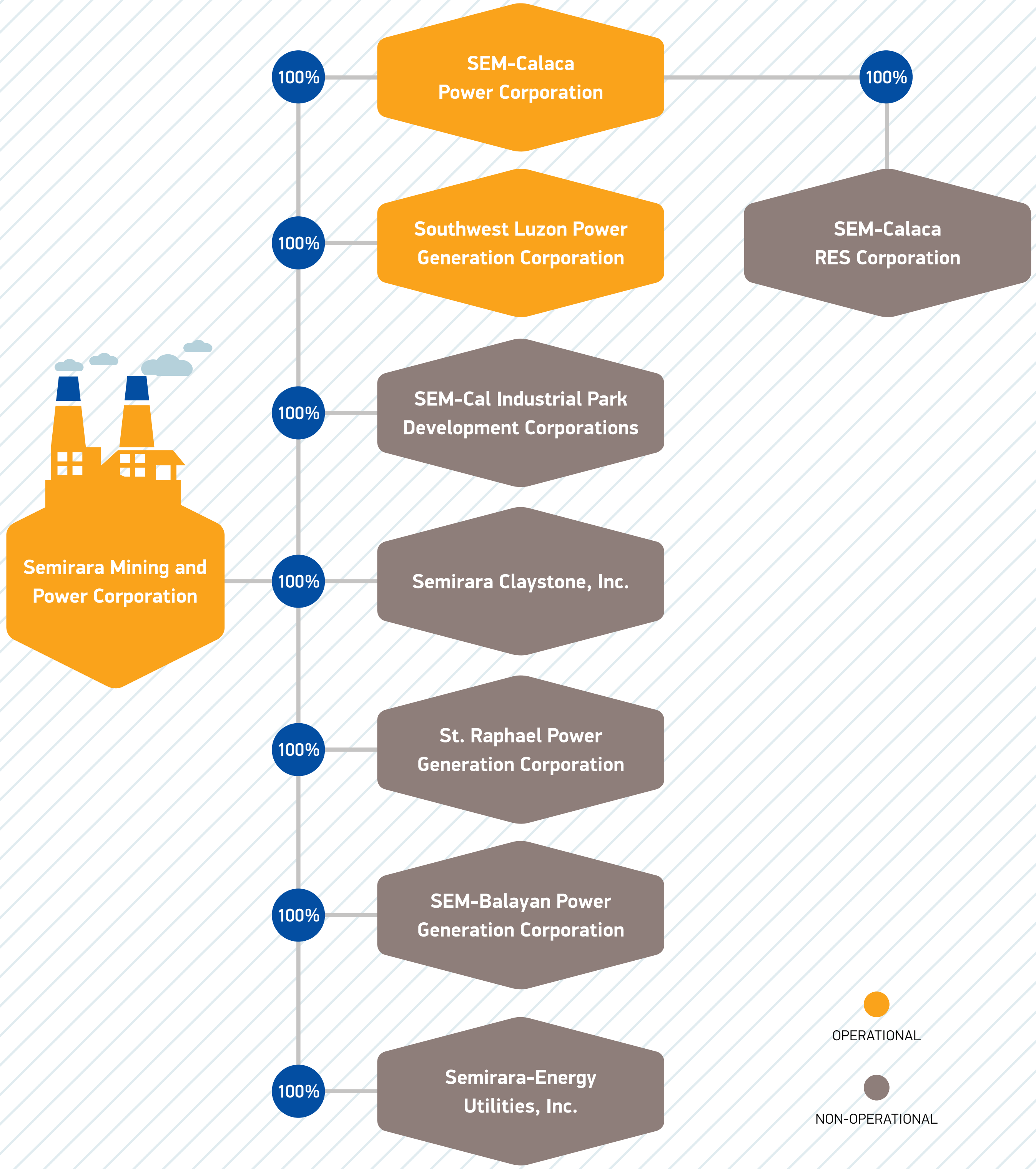
WHERE WE ARE AND THE

Market We Serve



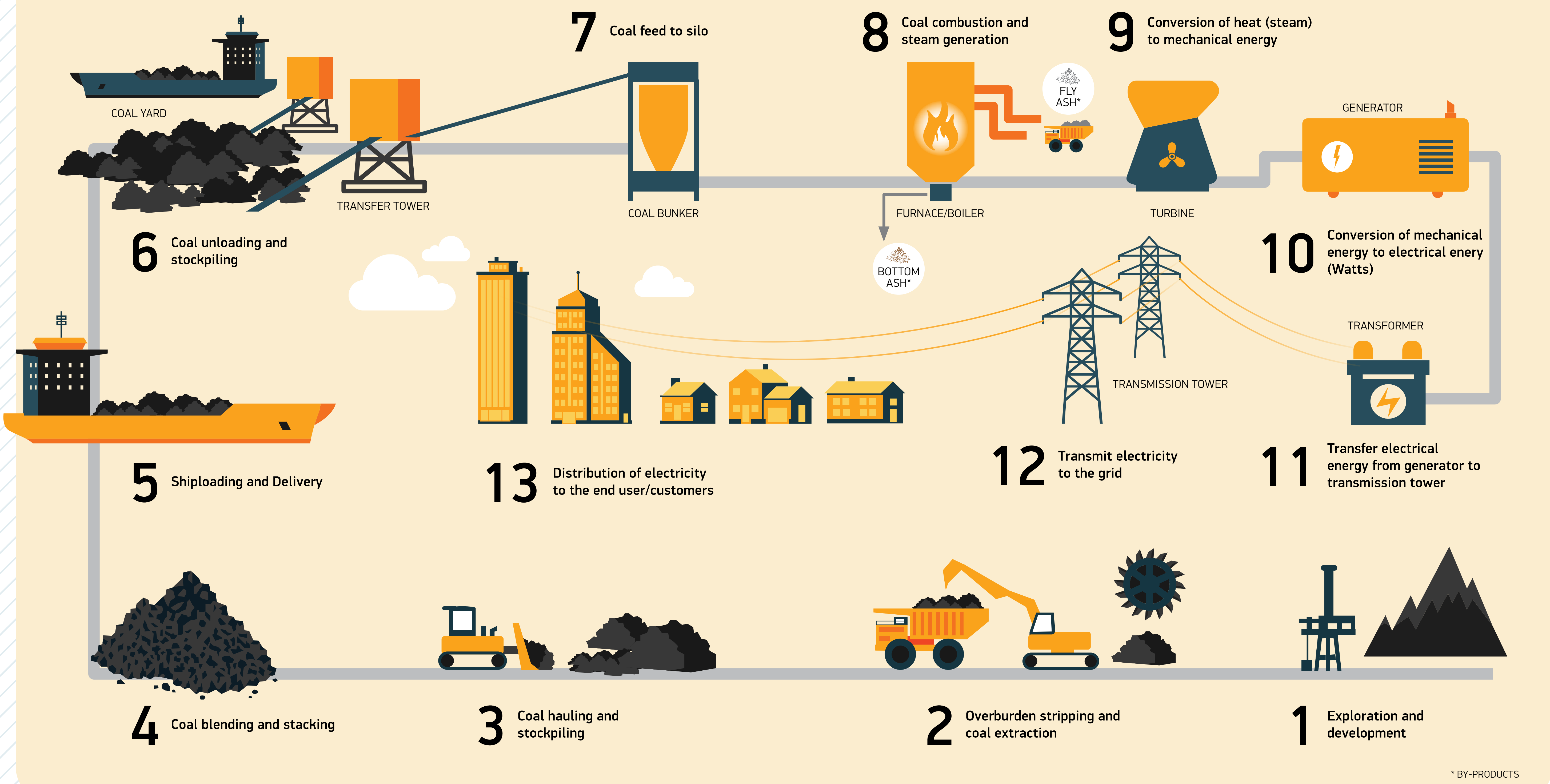
OUR

Organization



PRODUCTION CHAIN AND Value Creation

FROM COAL EXPLORATION TO ELECTRICITY



BUSINESS MODEL AND Strategy

"The Company's business model and strategy are hinged on its strategic objective of "Value Maximization and Sustainability." Semirara Mining and Power Corporation owns the sole right or concession of the biggest coal reserve area in the Philippines, with known coal resource of 570 million metric tons or 24% of total country's known coal resource .

The integration of energy generation into the company's business model came in perfect timing when coal prices started to decline. The power segment further bouyed the Company as energy value at today's coal prices is three times more than raw coal. The Company's decision to integrate the coal business to power generation resulted to higher value propositon and strong product differentiation, making the company highly competitive.

Cost Efficiency in operations is a priority to maintain competitiveness as it is within our direct control. To save on operating cost, overburden stripping, which is the biggest cost item in the production value chain is done in-house rather than outsourced. Efficient logistics support is also essential since the coal mine is situated in an island. The Company discerned that it is more cost efficient to maintain our own fleet of coal vessels and barges for transporting coal, especially to our own power plants as this provides more flexibility, as well as avoid unnecessary delays. Lost time is opportunity lost.

As the company expands its business, an array of risks confront the business. Carried by these risks are opportunities for growth. The higher the risk, the higher the expected returns to the business but if not appropriately and properly managed, potential losses may also be high. Hence, the company is strengthening its Enterprise Risk Management to manage risk. Activities and programs include set-up of an Asset Management System, continuous certification of its Integrated Management System (IMS), continuing efforts and review of its Business Continuity Management System and Safety programs, among others.

The Company, adopts a six-point perspective where we focus all efforts to deliver sustainable value, they are as follows: Stakeholders Sustainability, Safety and Health, Organizational Development and People Excellence, Operational Efficiency, Environmental Sustainabiljty and Community Sustainability.

All efforts, initiatives, programs and action plans which are generally illustrated in the business model and their respective objectives or outcome, are guided by the corporate governance policies instituted by the Board and management for sustainability in delivering continuing growth and increasing shared values to all stakeholders.

The Company's business model and strategic objectives aim to achieve our vision to be a key contributor towards an energy sufficient Philippines. We will continue to explore, develop and mine coal for the production of the most reliable, dependable, and lowest electricity cost for base load requirements.

Coal will bridge the future of power generation until the time when renewable energy will become cost efficient, reliable and dependable to supply the growing energy demand of the country. The Company will continue to be a partner in fuelling the economic growth of the nation.

Our participation in industry associations is strategic to our collaborative role in the sustainable growth of the mining and energy industries in the country and ASEAN region. We lead, support 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. Our subsidiary Sem-Calaca Power Corporation is a member of the Philippine Independent Power Producers Association which aims to advance public policies, legislation and information on governing issues beneficial to providing adequate, reliable and affordable energy in the country.

FINANCIAL
Scorecard

Notwithstanding the challenges confronting the Company in 2015, our financial metrics remained strong and showed positive signs for further growth.

While there are still some perceived risks and uncertainties on the power expansion project given the delay in the final turnover of the 2 x 150 MW power project due to overdue testing and commissioning, management is confident that the high potential for growth is still in the power segment. The record high energy generation from the 2x 300MW power plant boosted the record high profitability of the company. The positive outlook on the additional power capacities remains strong.

Our healthy cash generation of Php10.8 billion enabled us to finance our growth activities as well as maintain the high dividend payout ratio.

KEY PERFORMANCE INDICATOR	TARGET	OUTCOME	DATA
1 Grow Income	Deliver income growth higher than 10%	Notwithstanding the challenges the Company faced in 2015, Consolidated Net Income is historical high, reflecting a 24% growth to Php8.5 billion from Php6.8 billion in 2014.	DATA IN BILLION PESOS 11: 6.03 12: 6.34 13: 7.53 14: 6.85 15: 8.49
2 Generate Attractive Dividend Yield	Cash Dividend Payout above the 20% minimum	Along with growing the business with the expansion of its power capacity, the Company's dividend payout continued to be strong. In 2015, payout ratio was 62%, more than three times the policy of 20%.	DATA IN PERCENTAGE 11: 83% 12: 24% 13: 67% 14: 57% 15: 62%
3 Exercise Financial Prudence	Maintain financial leverage with D/E ratio of less than 2:1	The Company strictly manages its financial leverage to keep it low as demonstrated by its DE Ratio. DE Ratio continues to slide down in 2015 to 1.3x from 1.29x in 2014 despite its investment in power.	11: 1.41 12: 1.15 13: 1.22 14: 1.29 15: 1.12
4 Achieve Strong Margins	Profit margin higher than 25%	Despite the drop in coal prices, which also pulls down power rates, the Company was able to increase its profitability to 29% from 22% in 2014 by implementing cost efficient methods and programs, and ensure power plant operating efficiency. The declining oil prices also had a favorable impact to production cost.	DATA IN PERCENTAGE 11: 23% 12: 26% 13: 28% 14: 24% 15: 34%
5 Maintain High Liquidity	Keep Current Ratio to at least 1	Current ratio slipped to 0.97 as at the end of the year as the Company took advantage of the huge differential of short-term and long-term interest rates which is around 200 to 250 bps. Moreover, the 2x150MW power project booked additional payables both for EPC and Non-EPC related activities while commercial operation has not yet been achieved. Management is closely monitoring this to manage liquidity risk.	11: 1.25 12: 0.96 13: 1.48 14: 1.05 15: 0.97

MESSSAGE TO Shareholders

ISIDRO A. CONSUNJI
Chairman, CEO

Semirara Mining and Power Corporation is the only integrated coal-fired power plant business in the Philippines.

The unique value proposition of our Company to transform raw coal to energy is the primary key that countered the unfavorable market conditions in 2015, giving a boost to our performance. The impetus of this transformation is the Company's strong drive to address the risk of market concentration through market diversification and the pursuit of adding more value to our coal resource. Our Company's successful acquisition and rehabilitation of the state-owned 2x300 MW coal fired-power plants in Calaca, Batangas in 2009 led to a further expansion in capacity by building the 2x150MW CFB coal-fired power plants which are designed to maximize the recoverability of our mineable coal reserves.

Today, after more than six years, Semirara Mining and Power Corporation is the only integrated coal-fired power plant business in the Philippines. We were able to realize our objective to transform our Company from a coal mining enterprise to an energy company. In accordance with our medium and long-term plans, our Company will continue to expand our power capacity moving forward. After the additional 300MW capacity, which is about to attain commercial operations, our Company's Environmental Clearance Certificate (ECC) allows us to further expand our capacity to up to 1,050MW. The approved ECC is for another 3x350MW of pulverized coal-fired power plants.

In 2015, we managed to report 24% growth in profitability despite 13% drop in revenues. Consolidated Net Income After Tax stood at Php8.49 billion from P6.86 billion in 2014, registering an EPS of Php7.89 from Php6.42.

The Catalytic Power of Coal

In 2015, our operating power units consumed 2.19 million metric tons of our coal, generating 3,959 GWh of energy. This is the highest energy generation recorded in the history of the 2x300MW power plants. With higher availability and average load, generation posting a 39% increase from previous year. The two operating units contributed Php12.72 billion in gross revenues, triple the peso value of raw coal based on the composite average price during the year. We have yet to account for the spillover effects and value created by the energy delivered to fuel the local economy. As we continue to expand our power capacities, our Company will create greater value and will play a major role in achieving long-term energy sufficiency for the country .

Delivering Sustainable Value

Our ultimate challenge is the delivery of sustainable value.

Our Board and management are committed to capitalize on our core resource to bring our business on a higher plane. To achieve this, we have our six-point strategic objectives to drive us, namely, Stakeholders' Sustainability, Safety and Health, Organizational Development and People Excellence, Operational Excellence, Environmental Sustainability and Community Sustainability.

To support the delivery of energy to meet the increasing demand, we will continue to explore and develop all mineable coal reserves in Semirara Island. In fact, we were able to discover more than the 76 million metric tons of cumulative volume produced by Panian mine as at the close of the year. Our recoverable reserves in the pit about 40% more than the original estimate of 60 million metric tons. Moreover, additional mineable reserves amounting to 70 million metric tons were certified for the new Narra Mine. Exploration and drilling activities are still on-going, targeting to discover additional coal reserves to add to the existing inventory. The certification of the coal reserves of another mine, Molave Mine, is expected to be completed at the close of 2016. Subsequently, the amendment of our ECC, permitting us to increase our annual capacity from 8 million tons to 12 million tons, was approved on 12 February 2016. We target to gradually increase coal production within three years, starting 2016, to match the growing domestic demand for coal both from our expanding power capacities and other upcoming coal-fired power plants.

Meanwhile, in the medium term, we are expecting that the 30% increase in power capacities will be fully realized, gradually increasing from 15% in 2016 to 30% in 2018.

While we endeavor to achieve these targets, we commit to uphold the highest standards of safety to prevent fatal accidents. As 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, and property and/or environmental damage.

The mine incident last 17 July 2015, where 9 lives were lost was totally unacceptable to management. I take this opportunity to express my sincerest sympathy, apology and support to the families of the mine workers who perished – they are the pillars of the mine. We stood behind the affected families for them to be able to carry through the challenges in securing their future.

76M

Metric tons of cumulative volume produced by Panian mine as at the close of the year

Moreover, people management is highly critical to maintain our workforce. Retention, training and remuneration programs are continuously reviewed and improved to protect and sustain human and intellectual capital. In addition, the Company's 5 E's program will be continuously improved to provide support to the community and to protect the environment for business sustainability.

The Stakeholders' sustainability is of paramount importance to address the going concern of the business. We target steady growth to secure the shareholders' return and value shared to all stakeholders.

Unwavering Strength

Our Company faced major challenging events in 2015. The mine incident tested our ability to manage reputation risk, while the delay in the commissioning of the 2x150MW challenged our engineering competence to create solutions to support the deficiencies of our equipment supplier, in order to fast track the commissioning period and achieve final turnover and acceptance of the power units by second half 2016. To improve mine operational efficiency to reduce cost and protect gross margins, we were stimulated to create further engineering solutions.

The Balance Sheet of our Company remains strong. We continue to maintain very low leverage despite our investments, with a Debt-to-Equity Ratio improving further to 1.12x as at the end of 2015 from 1.29x in 2014. Consolidated net cash generated from operations amounted to Php11.75 billion or net of Php10.68 billion after other operating activities. Net cash used for investing activities amounted to P5.11 billion while Php4.28 billion was used to pay cash dividend. Financing activity recorded net debt reduction of Php192 million after some debt refinancing to fund working capital to capitalize on low interest rates. Consolidated cash balance at the close of the year stood at Php4.74 billion. We are poised to benefit from the high liquidity in the market to finance our expansion plans while interest rates are still low.

Notwithstanding our expansion activities, the healthy cash flows of our existing businesses will enable us to continue declaring strong dividends. In 2015, we declared dividends of Php4.28 billion, and paid out on May 20, 2015.

Although global equity markets have plunged in 2015, SCC remained resilient, closing the year with market capitalization at Php146 billion.

Bridging the Future

We recognize that a lot of global initiatives on climate change are being supported by government and nations around the world to achieve a low carbon future. From 1992 in Rio to Paris in 2015, more than 20 years have passed, but development and technological advancement of renewable energy remained sluggish.

The Company's slogan of *"Bridging the Future"* is a statement that coal will remain to provide reliable and dependable energy to fuel the Philippine economy while renewable energy has not yet matured in terms of cost efficiency and reliability of supply given its high dependency to weather conditions.

We continue to believe that coal will remain to be a major energy source in our country in the next few years, and with our Company's own coal resource, we will commit to deliver the most inexpensive and reliable baseload power source. Coal-fired energy generation will continue to be the most efficient answer to baseload energy demand. We also look forward to the time that clean coal technology like the Circulating Fluidized Bed or CFB technology, will be further enhanced through technological advancement. Cost efficient technology might be the answer to our woes on carbon and nitrogen oxide emissions.

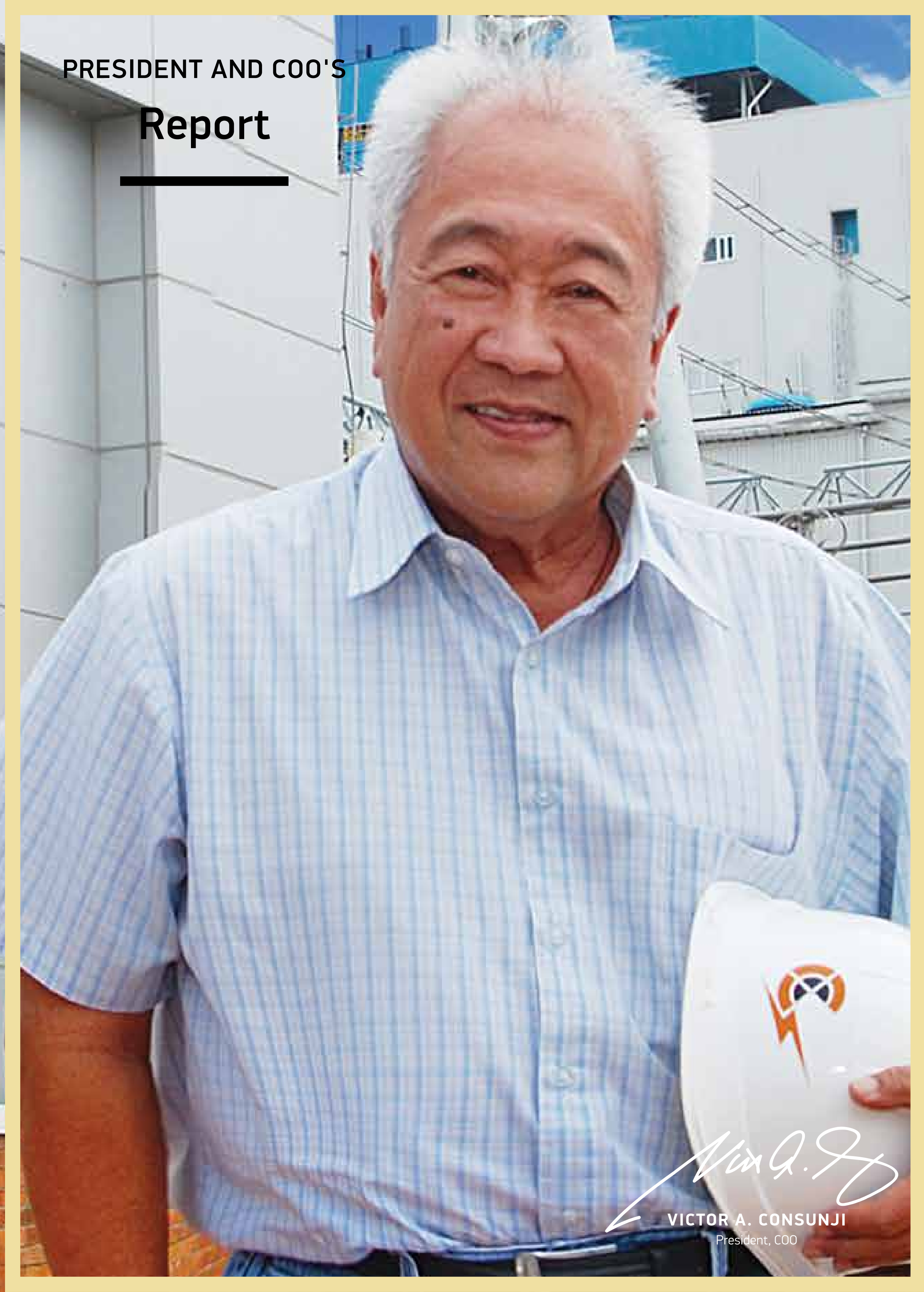
As we grow our Company, we expect more challenges along the way. We believe that in order to endure different uncontrollable economic and market forces, we have to fortify ourselves from within, unrelentingly pursuing continued improvement and excellence. We take pride that our performance in environmental, social and governance areas have been recognized by prestigious award giving bodies at the national, ASEAN and global market.

2015 is a demonstration that against difficulties, we can still surpass our past performances. We look forward to conquering more challenges with unwavering strength in the years to come with the incessant support and confidence of our partners and stakeholders.

Maraming salamat.

PRESIDENT AND COO'S

Report



VICTOR A. CONSUNJI
President, COO

Amidst disappointments, we were able to strengthen our Company's fundamentals; the challenges made us more resilient.

Dear Valued Shareholders,

Our Company managed to surpass a number of challenges in 2015. We closed the year with historical high consolidated net income at Php8.45 billion, up by 24% from the preceding year. This is a clear manifestation of our Company's unwavering strength.

We have a good reason to revel in the remarkable positive performance of our Company, but we also lamented for the nine lives lost in the land slip in the northern edge of Panian mine last July. This incident fueled us to further intensify mine safety. The incident was totally unacceptable to our Company's management team and we felt very sorry for the loss of nine of our core mine personnel. We commit to take all the necessary safety precautions over and above acceptable standards of safety for both the mine and power plant operations to protect the lives of our workers and make "Safety" our number one priority.

Safety Efforts

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

Mining protocol was revised and improved with the hiring of a full time geotechnical consultant and additional safety personnel. Safety training hours during the year constituted 70% or 26,898 out of the 38,576 training hours. All these manifest our Company's resolute attention to Safety.

Operational challenges

Mining operations were suspended for two months following the slide. The dry "*El Niño*" weather allowed mining operation to catch up on its production target despite the temporary halt in operations. Coal production only showed a slight 1% drop at 7.98 million tons from a historical high of 8.08 million tons in 2014.

Global coal prices continued to fall, directly impacting on our average selling price (ASP). Nevertheless, production cost also went down as price of oil continue to drop, given that fuel is the single biggest cost component of our mining operations. Other cost efficient measures were also implemented to counter the lower coal prices in order to protect our margin. Shorter hauling cycle, in-pit dumping and full complemented loading units also contributed to lesser fuel consumption per bank cubic meter (bcm). Moreover, we expanded conveying capacity to reduce cost of transporting coal by augmenting the size of our conveyor belts. The employment of the SSR also improved mine planning, a more cost efficient mine design and production optimization at the start of the year. Our Company's objective is to continue to deploy resources and tap mining technologies to make our coal extraction and support activities more productive and cost efficient. The impact of the low coal prices was effectively cushioned by the lower production cost. Coal segment gross profit ratio improved to 47% compared to 35% in 2014.

Meanwhile, in the power segment, our wholly-owned Sem-Calaca Power Generation Corporation (SCPC) registered a remarkable performance with its two plants operating steadily after a series of rehabilitation works in the previous years. Both plants recorded a historical high combined generation of 3,959 GWh, increasing by 39% from last year's 2,840 GWh.

Power ASP also decreased due to the drop in fuel prices, which is benchmarked to international indices. However, profitability of the power segment improved despite being on tax position when its Income Tax Holiday (ITH) as Board of Investments-registered business expired in 2014.

On the other hand, Southwest Luzon Power Generation (SLPGC) posed a disappointment in 2015 after failing to achieve commercial operation status due to a series of technical issues. The 2 x 150 CFB power plants started to commission in 2015 and were able to synchronize to the grid on 7 July and 16 August, respectively. However, fine tuning and de-bugging activities are still in progress, some equipment needed upgrading and replacement for reliability, before the plants will be officially declared commercially available. The good news however, is that during the year, we were able to secure 222 MW of power supply contracts for the upcoming additional capacity or 84% of its net rated capacity after station service.

We stated last year that power is the growth driver of our Company. We envisioned to increase power capacity through the first phase of expansion that will bring total capacity to 900MW from the existing 600MW by second half of 2015, but this did not materialize. The commissioning activities of the two CFB power plants are beset with equipment quality issues which until now are still being resolved. We are aiming to close all these equipment and parts issues before the end of the first half 2016 to achieve final turn-over and acceptance of the two units within the year.

Record high profitability, stable dividends

Notwithstanding the difficulties in 2015 and failure of the 2x150 MW plants to contribute to the net earnings of our Company, we achieved 24% growth in profitability, posting a NIAT of Php8.45 billion from Php6.86 billion the previous year.

Our healthy cash generation of Php10.8 billion enabled us to finance our growth activities as well as maintain our dividend payout of Php4.28 billion. Dividend payout ratio in 2015 is 62%, more than thrice the 20% minimum set in the policy.

Our robust ending cash balance of Php4.75 billion presents us the ability to continue financing our growth prospects in the following year.

Forward View

Our outlook on coal demand is positive as we expect demand growth in the next five years with the commissioning of new power plants and expansion of cement plant's capacity, although we see no sign of coal prices improving. The continued oversupply of coal for Indonesia and Russia and the growing support from environmental groups to reduce use of coal in power generation are pushing the spot prices at low levels.

The power segment, on the other hand, has to beat the race to 2019 to take advantage of the BOI incentive granted to power projects and take the first advantage to contract the capacities. Contracting capacities will be more challenging moving forward. WESM prices will tend to be lower and BCQ prices will become very competitive as additional power capacities in the Luzon-Visayas power system are coming in the pipeline, including renewable power. However, with the full implementation of the Retail Competition and Open Access, there will be higher opportunity for the supply in the competitive market. Your Company is ready to take on the challenge, being the lowest cost power producer for baseload power and the only power company who controls its own fuel supply.

Corporate Sustainability

We continue to strive enhancing our CSR efforts by expanding our scope to formally include Emergency Preparedness in our 5Es CSR program to equip the community with proper training to prepare for and survive calamities. We have redefined our 5Es to cover Electrification, Economic Empowerment, Education and Skills Training, Environmental Protection, and Emergency Preparedness. Last 11 December 2015, your Company signed a memorandum of agreement with the host local government units to boost emergency preparedness island-wide through close collaboration to protect the people and environment of Semirara Island, and in order to address the root cause of vulnerabilities to disasters, strengthening the country's institutional capacity for disaster risk reduction and management, and building the resilience of local communities to disasters including climate change impacts. It is our commitment to continue providing holistic support and development of our host communities through our continuing CSR programs and initiatives for sustainability.

Our Company was named first runner-up in the Corporate Social Responsibility (CSR) category of the 2015 Asean Energy Awards in Kuala Lumpur, Malaysia for our reef rehabilitation efforts in Semirara Island. The rehabilitation project involves spawning and reseeding endangered giant clams through its Marine Hatchery Laboratory. Also, our Company was selected as one of the 12 finalists in the Platts Global Energy Awards - CSR category for the company's 5-Es banner CSR program.

We also continue our campaign to improve our corporate culture by improving our good governance practices. In 2015, our Company ranked among the top 50 publicly listed companies in the Philippines in the Asean Corporate Governance Scorecard.

Resilience

The obstacles in 2015 provided us valuable lessons that we will carry with us as we continue to improve and grow our Company. Amidst disappointments, we were able to strengthen our Company's fundamentals; overcoming the challenges made us more resilient

I would like to convey my sincerest gratitude to all our partners and different stakeholders who continue to support our businesses, in good and bad times, especially to the families of the workers, affected by the mine incident, who continue to trust and remain faithful to our Company.

Together, we will continue to grow with unwavering strength.

Great Cormorant Migratory Uncommon

PERFORMANCE **REVIEW**

North Pintails with Philippine Duck at Casay water impoundment Uncommon Migratory

The synergies created as an integrated power company provided cushion to the negative impacts of unfavorable market conditions and different challenges confronting Semirara Mining and Power Corporation in 2015.

Global coal prices continue to weaken, putting pressure on the overall profitability of the Company. However, this was cushioned by the declining oil prices, implementation of more cost efficient processes, and higher recoverability of coal since the new 2 x 150 MW CFB power plants already used the low grade coal for fuel in the commissioning of the power units.

The operating power units (2x300MW) recorded the highest combined historical power generation bringing higher volume of energy sold which compensated the lower energy prices as the New Castle Index continues to fall.

Amidst these challenges, a 24% growth in consolidated net profitability was still achieved during the period.

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COAL SEGMENT

Production

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

Mining operations were suspended for two months this year following a slide in the northern edge of Panian mine on 17 July. Nine of the Company's personnel perished, while five dump trucks, one excavator and one wheel dozer were damaged in the accident. In compliance with the suspension order from the Department of Energy (DOE) issued on the day of the accident and the Cease and Desist Order from the Department of Environment and Natural Resources (DENR) issued on 21 July, mining operations were suspended for around two months until both suspension orders were already lifted. DENR lifted its suspension on 10 August, while DOE rescinded their suspension order on 18 September.

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

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

Sales

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

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

Composite average FOB price per ton decreased by 9% to Php1,943 from Php2,127 last year as global coal prices continue to drop.

Local Sales

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

Cement companies also increased their volume by 17% to 1.03 million tons from 875.04 thousand in the previous year due to higher demand for cement this year for infrastructure projects as well as increase in blend ratio of Semirara coal against imported coal. Cement industry accounted for 12% of total sales this year.

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

Export Sales

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

39%

record high gross generation of 3,959 GWh, which increased by 39%

POWER SEGMENT

Generation

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

Both units registered total availability of 87%, with 11,828 total operating hours in 2015. This is from a low total availability of 30% in the previous year at 7,457 combined operating hours.

Meanwhile, the 2 x 150 MW plants of another subsidiary, Southwest Luzon Power Generation Corporation (SLPGC), started testing and commissioning in 2015. The first and second units were synchronized to the grid on 7 July and 16 August, respectively.

Power Unit 1

Gross generation of Power Unit 1 increased by 7% to 1,819 GWh from 1,698 GWh in 2014 although average capacity decreased to 228 MW from 230 MW in the previous year. High grade coal from Semirara improved the capacity of the plant in the first half of the year, however average capacity slightly dropped to 202 MW in second half of the year due to the slagging or fouling observed in the unit. Capacity factor is up at 69% in 2015, as against 65% in 2014.

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

Power Unit 2

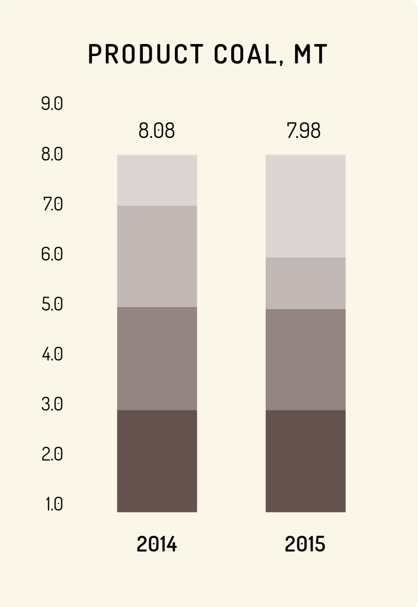
Overall performance of Power Unit 2 improved in 2015 compared to the previous year.

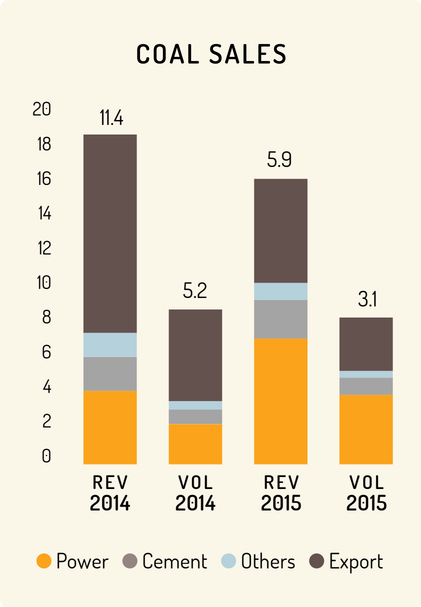
Gross generation of Power Unit 2 surged by 87% to 2,140 GWh from 1,141 GWh in 2014 as availability and average capacity registered record high. Conversely, generation in 2014 was low due to the planned outage, mainly to install a new Distribution Control System (DCS). The commissioning of the plant was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

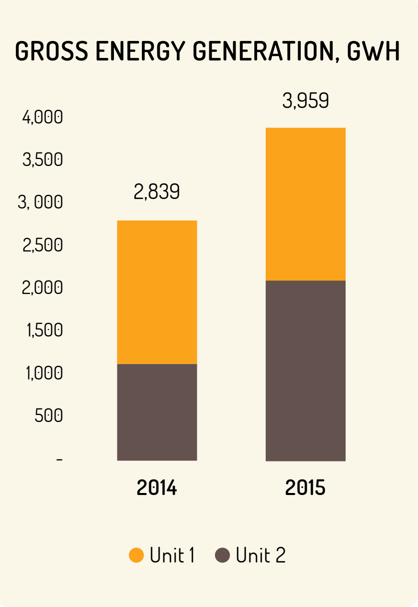
Availability of the plant likewise increased to 84% in the current period from only 50% in 2014. Unplanned outages registered at 673 hours.

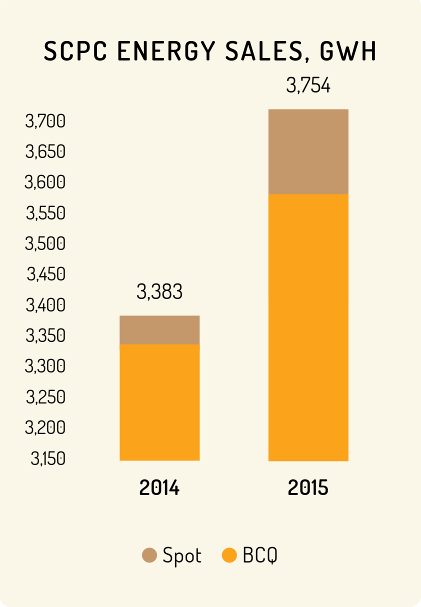
SLPGC

While on testing and commissioning, the 2 x 150 MW plants generated a total of 211 GWh in 2015. Both plants achieved the maximum rated capacity of 150 MW in 2015, the first unit in September and the second unit in November.









Sales

SCPC

SCPC's sales increased by 11% to 3,754 GWh from 3,383 GWh the previous year as both power plants are fully operational this year, unlike in 2014.

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

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

Spot Market Sales increased by 226% at 173 GWh against 53 GWh in the previous year.

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

Average price for bilateral contracts dropped by 6% to Php3.33/KWh in 2015 from Php3.55/KWh last year. The contracts' index Newcastle prices had been declining in 2015.

Meanwhile, composite average price per KWh also decreased by 6% to Php3.41 against Php3.64/KWh in the previous year.

SLPGC

SLPGC sold its plants' generated power while on testing and commissioning through a non-firm replacement supply contract, as well as to the spot market.

Total energy sold recorded at 209 GWh at an average composite price of Php3.51/KWh.

The Company already secured supply contracts with three customers totaling to 222 MWs, with contract terms ranging between two to five years. Two of the supply contracts, with total capacity of 102 MW, became live and were started to be served on 26 December.

FINANCIAL REVIEW

Notwithstanding the challenges the Company faced in 2015, our financial metrics remained strong and even improving.

Although Gross Revenues dropped by 14% in 2015, net profitability grew by 24% and recorded a historical high Consolidated Net Income during the year.

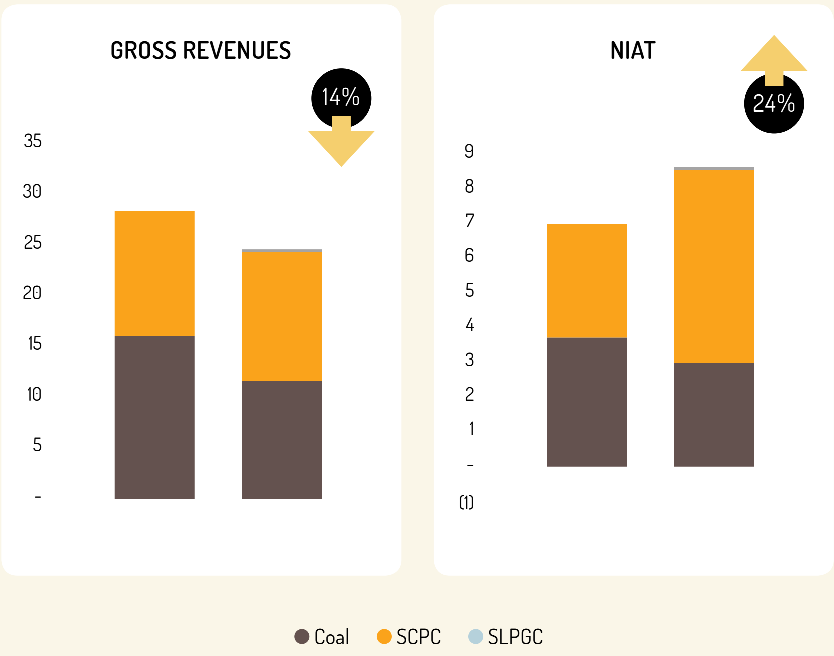
Sales and Profitability

Net of eliminations, Consolidated Revenues dropped by 14% to Php24.68 billion in 2015 from Php28.59 billion in the previous year. Before eliminations, Coal Revenues decreased by 28% at Php16.37 billion from Php18.91billion in 2014 due to the compounded effect of 5% lower sales volume and 9% decline in composite average price. On the contrary, higher energy sales pushed SCPC Revenues up by 5% at Php 12.80 billion from Php12.31 billion despite the 6% drop in average price per KWh. SLPGC generated commissioning Revenues of Php110.09 million in 2015.

Consolidated Cost of Sales dropped by 44% to PH10.54 billion from Php18.93 billion in 2104.

Before eliminations, coal Cost of Sales decreased by 29% to Php8.63 billion from Php12.23 billion last year. This is mainly due to lower strip ratio, decline in volume sold combined with lower shipping costs, and drop in oil prices. Moreover, washable and waste coal inventory, which historically formed part of the waste material with no value, were assigned a total value of Php441 million to conform with accounting standards on inventory valuation at the end of 2015. Cost of coal sold per metric ton reduced by 29% to Php1,062 from Php1,376 in 2014.

CONSOLIDATED REVENUES AND NIAT



SCPC's Cost of Sales before elimination contracted by 32% to Php6.35 billion from Php9.35 billion; and by 52% after elimination to Php4.13 billion from Php8.70 billion in the previous year. The Company was exposed to higher cost of replacement power in 2014 and incurred net loss of Php2.1 billion from replacement power, when the plants used up the allowable downtime in the power supply contracts. Since both power units were operating reliably in 2015, costs are kept at their normal levels. The continuous decline in fuel costs also contributed significantly in the drop of the current year's Cost of Sales per Kwh by 38% at Php1.69 from Php2.75 last year.

The resulting consolidated Gross Profit increased by 47% to Php14.14 billion, with coal, SCPC and SLPGC each contributing Php5.39 billion, Php8.66 billion and Php108.96 million, respectively. Last year's consolidated Gross Profit stood at Php9.66 billion, Php5.28 billion from coal and Php1.59 billion from SCPC. Consolidated Gross profit margin rose to 57% from 34% in 2014.

Consolidated Operating Expenses (OPEX) increased by 36% to Php4.39 billion from Php3.22 billion in the previous year. Net of eliminating entries, the coal segment's OPEX increased by 3% to Php2.32 billion from Php2.27 billion last year. This mainly accounted for the tax assessment for year 2010 and 2011 totaling to Php81.70. Meanwhile, SCPC's OPEX after elimination, which is mainly comprised of management fees and taxes and licenses, increased by 113% to Php1.98 billion from Php926.36 million last year mainly due to full provision for allowance for the questioned Philippine Electricity Market Corporation (PEMC) receivables on electricity sold to spot in November and December 2013 amounting to Php896.14 million. SLPGC incurred Php91.37 million in OPEX, 132% up from previous year's OPEX of Php39.33 million, representing non-capitalizable expenses recorded during the period. Other pre-operating subsidiaries incurred combined OPEX of Php4.56 million.

Consolidated Forex Losses for unrealized valuation losses stood at Php300.06 million, almost five times higher than 2014's losses of Php52.14 million. The peso is weaker this year, closing at USD1: Php47.06, as against USD1: Php44.72 as at end of 2014. Coal recorded Forex losses of Php327.98 million as against Php61.85 million last year as a result of the valuation of its USD denominated loans and foreign currency denominated transactions. SCPC meanwhile recorded gains this year of Php30.47 million versus losses of Php14.45 million last year on its foreign currency denominated transactions. SLPGC also incurred FOREX losses of Php2.55 million in 2015, as against gains of Php24.15 million in the previous year.

Higher cash levels offset lower placement interest rates, resulting to 39% increase on consolidated Finance Income to Php57.56 million from Php41.45 million last year. Coal, SCPC and SLPGC earned Php22.52 million, Php16.56 million and Php18.18 million from placements, respectively.

Consolidated Finance Costs dropped by 14% to Php278.19 million from Php323.23 million in 2014 due to continuous repayment of loans. The Company only started accumulating loans again in the second half of 2015 when the coal segment raised financing for its CAPEX.

Coal's interest-bearing loans rose 20% YoY to Php6.21 billion from Php5.15 billion last year, resulting to an 8% increase in Finance Cost to Php129.65 million from Php119.94 million in 2014. Meanwhile, after servicing its long-term loan and paying off its short-term loans, SCPC's interest-bearing loans declined by 62% to Php2.30 billion from Php3.82 billion last year; its Finance Cost decreased by 26% to Php147.23 million from Php197.73 million in 2014. On the contrary, SLPGC's loans rose by 14% to Php11.50 billion from Php10.09 billion last year, but after capitalizing interest expenses, Finance Cost dropped by 66% to Php1.78 million from Php5.26 million in 2014.

Consolidated Other Income increased by 114% to Php440.68 million from Php205.49 million in the previous year. The coal segment's Other Income, mainly from insurance recoveries and gain on sale of miscellaneous assets, rose by 170% to Php248.34 million from Php92.01 million in 2014; SCPC's Other Income likewise increased by 10% to Php125.19 million from Php113.48 million last year. Both power units are operating regularly this year, unlike last year, thus producing more fly ash that is marketed as cement additive. SLPGC also recorded other income of Php58.33 million representing power sold during plant commissioning.

The resulting consolidated Net Income Before Tax (NIBT) increased by 53% to Php9.67 billion from Php6.31 billion in 2014.

Consolidated Provision for Income Tax surged to Php1.18 billion from net deferred tax of Php552.87 million last year. Coal continues to enjoy Income Tax Holiday (ITH) as a Board of Investments-registered company, while SCPC is now in a tax position. Thus, coal's tax provision remained minimal at Php37.78 million, while SCPC recognized tax exposure of Php1.22 billion in 2015. Notably however, SCPC has Deferred Tax Assets as at end 2014 amounting to Php635.64 million to partially cover the tax liability in the current period. SLPGC recorded final income tax of Php3.64 million.

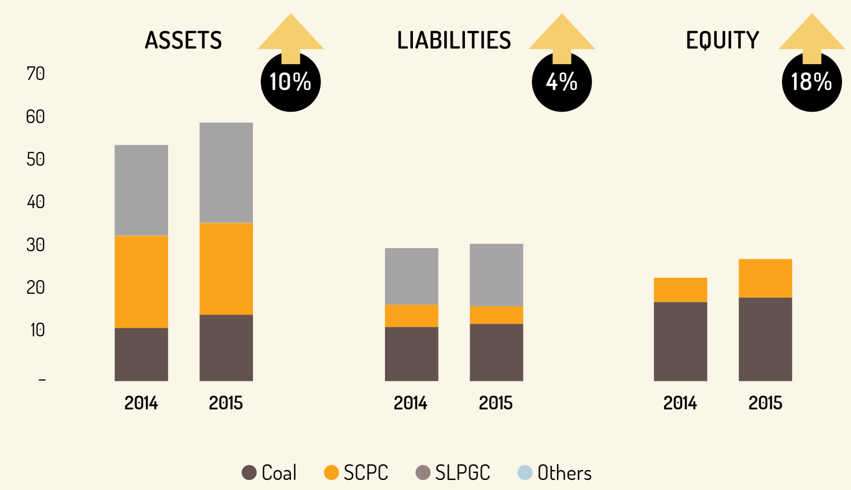
Consolidated Net Income After Tax increased by 24% to Php8.47 billion from Php6.85 billion in 2014. Net of eliminations, coal generated net income of Php2.91 billion, while SCPC generated Php5.50 billion. Pre-operating SPLGC recorded Php85.89 million income after generating sales while on commissioning; last year it recorded non-capitalizable project expenses of Php29.26 million. Before eliminations, coal and SCPC recorded NIAT of Php6.75 billion and Php3.32 billion, respectively. With higher outstanding shares after a 200% stock dividend declaration in Q3 2014, Earnings per Share (EPS) stood at Php7.94, 23% higher than 2014's adjusted EPS of Php6.42.

Solvency and Liquidity

Internal cash generation in 2015 amounted to Php10.68 billion. Loan availments from coal, SCPC and SLPGC totaled to Php9.88 billion. Coal received Php76.46 million from sale of retired assets and SCPC adjusted its Sinking Fund by Php61.55 million. Combined with beginning Cash of Php3.68 billion, total consolidated Cash available during the period stood at Php24.40 billion.

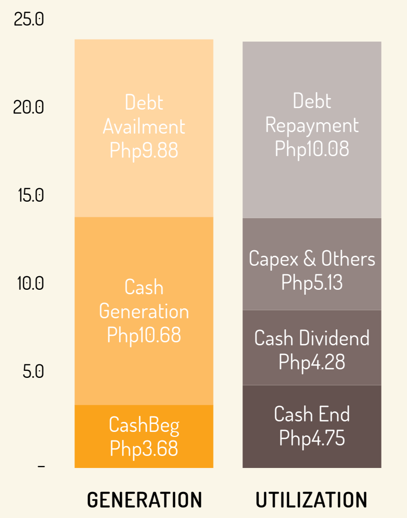
AUDITED CONSOLIDATED ASSETS, LIABILITIES, & EQUITY

in Billion Pesos



CASH GENERATION & UTILIZATION - CONSOLIDATED

in Billion



Of the available cash, Php5.04 billion was used to fund major CAPEX and Exploration Assets.

Meanwhile, coal paid off debts amounting to Php6.34 billion, while SCPC serviced Php3.76 billion of its liabilities, totaling debt repayments to Php10.01 billion.

The Company declared and paid cash dividends during the period amounting to Php4.28 billion.

After accounting for net increase in consolidated cash during the period of Php1.06 billion, Consolidated Ending Cash closed at Php4.75 billion, posting a 29% growth from beginning balance of Php3.68 billion.

Assets, Liabilities and Equity

Our Assets grew by 10% to Php57.2 billion from Php51.9 billion at the start of the year. Liabilities slightly grew by 4% to Php30.3 billion from Php29.2 billion after debt repayments. Robust earnings improved our equity by 18% to Php26.9 billion from Php22.7 billion, notwithstanding our dividend payment.

Growth in Total Assets mainly came from 29% increase in cash to Php4.75 billion from Php3.68 billion, 57% growth in inventory to Php Php4.38 billion from Php2.79 billion as at the start of the year, 47% growth in advances to suppliers booked under current assets to Php3.18 billion from Php2.17 billion, and 58% escalation of exploration and evaluation assets to Php3.02 billion from Php 1.91 billion in the previous year, accounting for the exploratory drilling and pre-stripping activities in Narra mine which is scheduled to be in commercial operation by the end of 2016.

Liabilities slightly increased with additional loan availments to fund CAPEX of the coal segment, as well as drawing of the remaining committed funding for SLPGC expansion project. Current Liabilities increased by 28% to Php15.56 billion from Php12.14 billion after the reclassification of long-term loans maturing within the next 12 months.

Meanwhile, Stockholders' Equity increased by 18% to Php26.90 billion from Php22.71 billion in the previous year after accounting for net income generation of Php8.49 billion, net of payment of cash dividends of Php4.28 billion during the year.

AWARDS AND

Recognition

Excellence in Corporate Governance and Investor Relations, Titanium The Asset Corporate Awards 2015

DECEMBER 2015
HONG KONG

Corporate Social Responsibility, Finalist Platts Global Energy Awards 2015

DECEMBER 2015
NEW YORK CITY
U.S.A

Integrated Management System Continued Certification

ISO 9001: 2008 Quality Management System
ISO 14001: 2004 Environmental Management System
OHSAS 18001: 2007 Occupational Health and Safety Management Systems

DECEMBER 2015
UNITED KINGDOM

Best Corporate Governance 10th FinanceAsia's Best Philippine Companies 2015

JUNE 2015
MAKATI CITY
PHILIPPINES

Top One Corporate Taxpayer 2015 Province of Batangas

DECEMBER 2015
BATANGAS CITY
PHILIPPINES

Quality Management System Continued Certification

ISO 9001: 2008 Quality Management System

DECEMBER 2015
UNITED KINGDOM

Corporate Social Responsibility 1st Runner Up ASEAN Energy Awards 2015

OCTOBER 2015
KUALA LUMPUR
MALAYSIA

MINING AND POWER CORPORATION

SEM-CALACA POWER CORPORATION

CORPORATE GOVERNANCE

Olive-backed Sunbird, male

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 stakeholders.

We adhere 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.

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COMPLIANCE

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 in which our Company operates.

Our Board and Management commit to reinforce a compliant culture across the enterprise that reinforces compliance risk management, internal controls, business processes, escalation protocols, assurance review and reporting.

We work towards continual improvement of our compliance processes through periodic dialogues, strict monitoring and regular training sessions on compliance requirements.

Our Company's Code of Corporate Governance complies with the Securities and Exchange Commission's (SEC) Code of Corporate Governance. Every year, we report our full compliance to the SEC Code in our SEC Annual Corporate Governance Report and disclose our level of adoption of the Philippine Stock Exchange (PSE) Corporate Governance Guidelines for Listed Companies.

STRONGER CORPORATE GOVERNANCE

ASEAN CORPORATE GOVERNANCE SCORECARD (ACGS)

Our commitment to raise corporate governance practices to higher global standards is exemplified by our score of 95.66 points in the 2015 ACGS as reviewed by SEC and ASEAN peers. The ACGS is a corporate governance rating of a Publicly-listed company's (PLC) governance policies and practices based on the five OECD Principles of Corporate Governance. The review of ASEAN PLCs is an initiative of the ASEAN Capital Markets Forum, along with Singapore, Thailand, Malaysia and Vietnam, to further promote and strengthen good governance in the region.

Securities Reporting

Our commitment to strong corporate governance is apparent in our compliance to the regulatory and reportorial requirements of the SEC and the PSE.

In addition to advising and orienting Directors, Officers and employees of their respective duties under the SEC and PSE regulations, our internal mechanisms and protocols also ensure their compliance to our Code of Corporate Governance.

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.

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

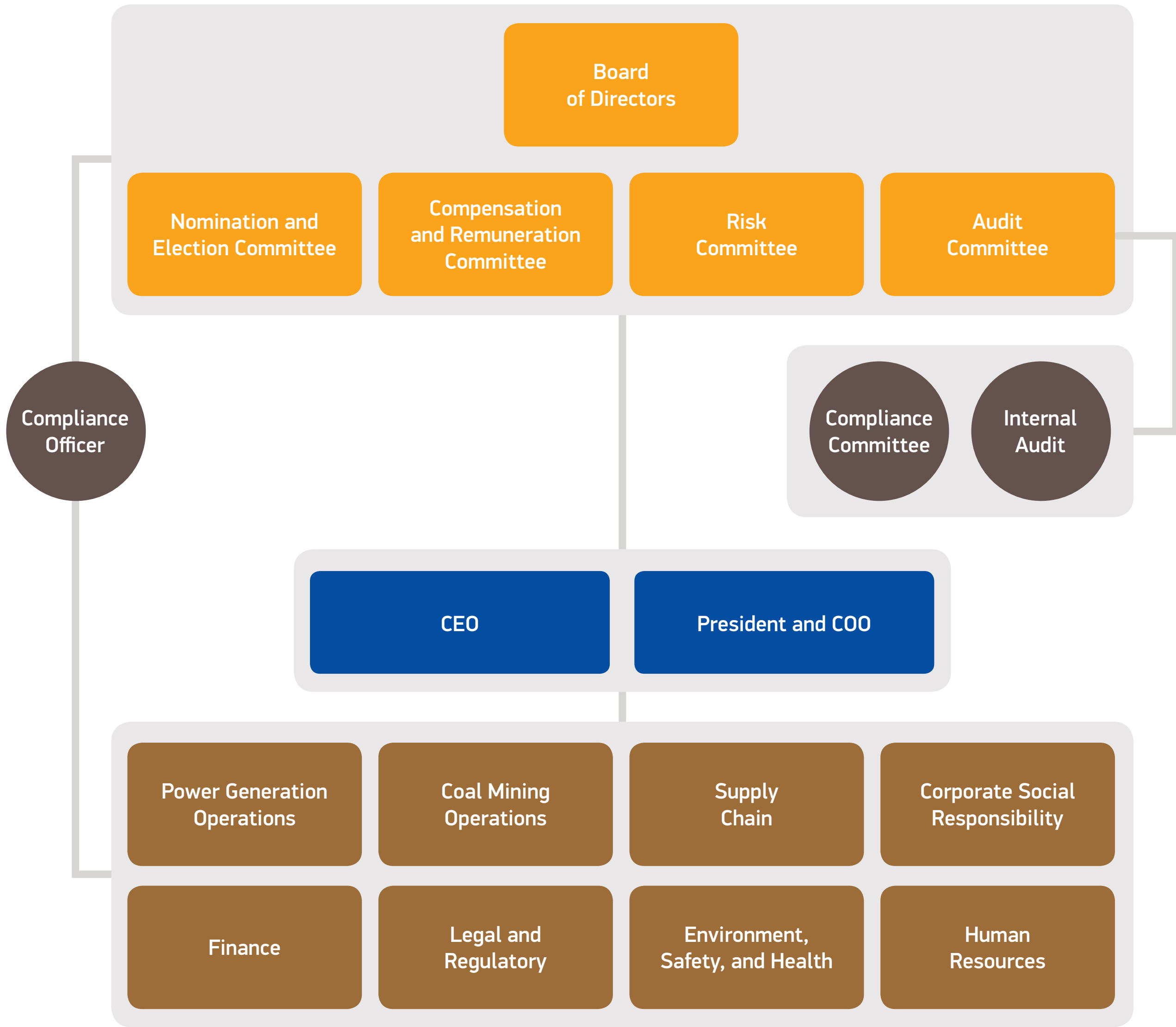
Compliance Officer
The Board of Directors has designated Vice President and Chief Governance Officer Nena D. Arenas as Compliance Officer, to ensure adherence to corporate governance principles, best practices, the SEC Code and the Company's Revised Code of Corporate Governance.

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

COMPLIANCE COMMITTEE

1. Nena D. Arenas - Compliance Officer
2. Ma. Cristina C. Gotianun - Executive Vice President
3. George G. San Pedro - Vice President, Operations
4. John R. Sadullo - Vice President, Legal
5. Junalina S. Tabor - Chief Finance Officer

GOVERNANCE STRUCTURE



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.

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.

Panian North Pit Incident
On July 17, 2015, a portion of the north edge of the Panian open-pit wall gave way which resulted to nine casualties. The incident resulted to a temporary suspension of the mining operation by the Department of Energy (DOE) and the DENR's Environmental Management Bureau (EMB) while investigation of the incident was in progress. The regulatory suspension of the mining activity has technically put the Company's certified integrated management system in a non-compliant status with applicable statutory and regulatory requirements. Conformity to legal requirements is a stipulation of the Certificates of Registration issued to the Company for its Quality Management

System/ISO 9001:2008, Environmental Management System /ISO 14001:2004 and Occupational Health and Safety Management System/OHSAS 18001:2007. Consequently, the external conformity assessment body, Governing Board of Certification International Philippines, Inc. (CIP), was compelled to suspend the validity of said Certificates.

Meanwhile, the Company implemented safety mitigation measures, upgraded pit mining protocols and installed technology-enabled monitoring systems to strengthen mining safety. The immediate remediation action resulted to the resumption of mining operations upon DOE's approval on 17 September 2015, and the lifting of suspension order by DENR's EMB in August 2015 and the ISO reinstatement effective 24 September 2015. The Company's continuing ISO certification is subjected to regular surveillance audit by CIP with its coal mining operation and is now in its 7th year as being in conformance to the three international standards.

Multi-sectoral Monitoring
A Multi-Partite Monitoring Team (MMT) comprised of representatives of the 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.

PROGRAMS IMPLEMENTED

CLEAN AIR ACT	CLEAN WATER ACT	HAZARDOUS & NUCLEAR WASTE CONTROL ACT	ECOLOGICAL SOLID WASTE MANAGEMENT ACT	PHILIPPINE ENVIRONMENTAL IMPACT STATEMENT
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 • Installation of Air Pollution monitoring and control facilities **Mine Operation** • Water spraying (coal stockpile, coal conveyors, haul roads) • Compacting stockpile	**Mine Site Power Plant** • Cooling Channel • Neutralization Pit **Mine Operation** • Construction of settling pond for Mine rain run-off • Installation of settling ponds **Domestic Water Management** • Construction of Water Impoundment for domestic use • Advanced Water Treatment Plant for domestic consumption	**General Hazardous Waste** • Collection and storage in properly controlled designated storage facility • Proper disposal and turn over of hazardous waste to DENR/ Accredited treatment facility **Used Oil** • Proper storage in containers with secondary containment • Reused as secondary fuel to Minesite Power Plant	• Biowaste Reactor for composting • Material Recovery Facility • Segregation of biodegradable, recyclable residual wastes	**Reforestation Program** • Coastal mangrove planting • Inland reforestation

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.

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.

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.

ALL SHARES HAVE EQUAL VOTING RIGHTS.

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 Directors

Our Company provides non-controlling shareholders the right to nominate candidates for board directorships as part of the nomination process and procedures. In 2015, such nomination for Independent Directors by a minority shareholder has been 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 April 22, 2015, the Board approved and declared cash dividends of P4.00 per share or P4.28 billion representing 55% of our 2014 NIAT.

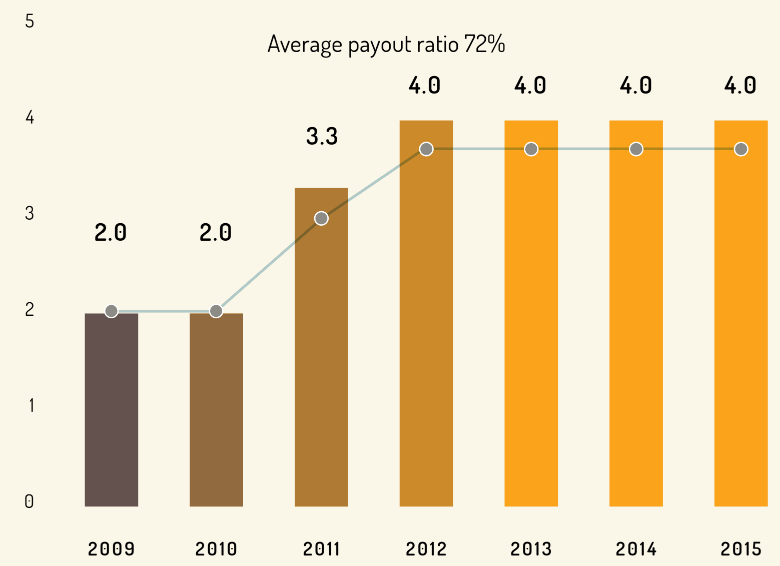
All shareholders were treated equitably in the timing of receiving dividends, and were fully paid the declared cash dividends by May 20, 2015, or within thirty (30) days from the declaration date.

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 so doing, they can take the appropriate measures to protect their investment.

HISTORICAL DIVIDENDS
PESO PER SHARE



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.

Notice of Annual Shareholders' Meeting

We disclosed our Notice of 2014 Annual Shareholders' Meeting (ASM) on March 6, 2015. Our Proxy form is easily available and included in the Notice of ASM.

On April 7, 2015, we likewise disclosed our SEC 20-IS (Definitive Information Statement) with detailed agenda and relevant information for shareholder's consideration.

Both documents were issued more than twenty-one (21) days before the regular ASM on May 4, 2015.

The key items which required shareholder disposition in the Notice of 2015 ASM included the following:

- Voting procedures and methods;
- 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;
- Approval of the Minutes of previous annual shareholders' meeting held on May 5, 2014 and rationale thereof;
- Approval of Management Report and rationale thereof;
- Ratification of the acts of the Board and Management during the period and rationale thereof;
- Approval of Independent Director and Non-Executive Director Fees and rationale thereof;
- Re-appointment of independent external auditor, with details of name and qualification and rationale thereof; and
- Election of Board Directors individually, with information on individual profile of nominees for election to the Board with details on age, education, experience, position, type of directorship, other directorships in listed and non-listed companies, Board Committee memberships, beneficial share ownership and Board meetings attended.

Under our Company By-Laws, the Board has the authority to declare cash dividends, and the dividend policy information was disclosed in the Notice of 2015 ASM.

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, Chairman of the Nomination and Election Committee, and Chairman of the Risk 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 2015 ASM, we continued to adopt several best practices such as, but not limited to the following:

AGENDA

There was due observance of the agenda items as indicated and disclosed in the Notice of 2015 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.

VENUE

The Manila Golf and Country Club, Inc. in Forbes Park, Makati City.

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

SHAREHOLDERS 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 answers accorded by our Chairman and CEO were duly recorded in the Minutes of the 2015 ASM. Likewise, these were disclosed in the relevant section of the SEC Annual Corporate Governance Report.

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 2015 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

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 2015 ASM are reported and disclosed in a certification of attendance to PSE and SEC and company website.

Minutes of the 2015 ASM were disclosed and posted in our company website within five (5) days from the ASM date.

EQUITABLE TREATMENT OF SHAREHOLDERS

Our corporate governance framework upholds the fair and equitable treatment of shareholders. It also provides minority shareholders with adequate protection from abusive and inequitable conduct of majority shareholders, Directors, Officers and employees of the company.

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

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.

ONE COMMON SHARE, ONE VOTE

Insider Trading

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

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 all 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 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 2015, there were no complaints received regarding misuse of insider information committed by any Director or Officer.

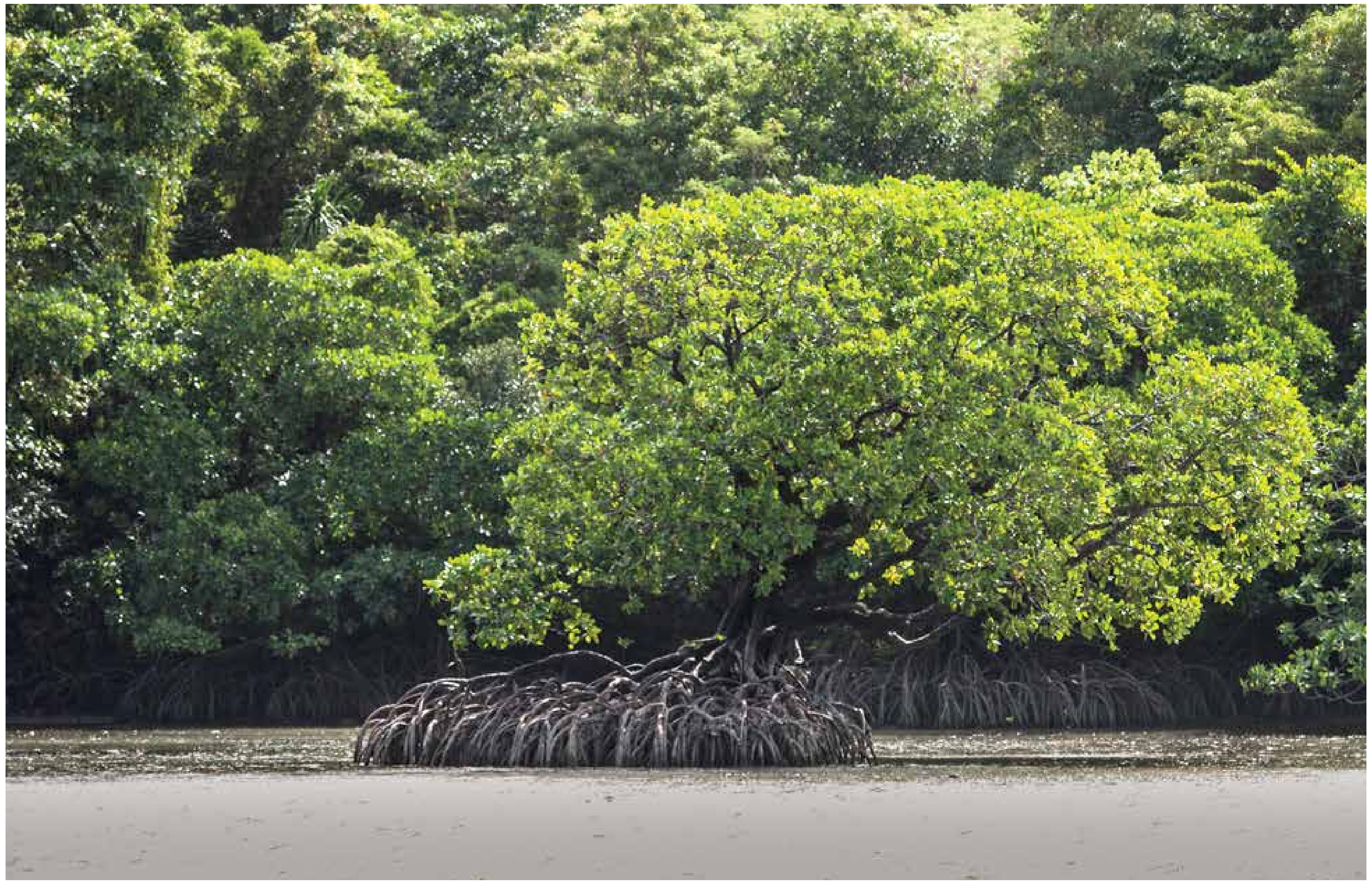
Conflict of Interest

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.

DISPROPORTIONATE VOTING RIGHTS

We do not practice the following:

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



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 2015.

Related Party Transactions (RPTs)

Our RPT Policy requires a Director or key officer to promptly disclose to the Audit Committee of any interest he or his immediate family member had, has or may have in a RPT.

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

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 RPT.

Management promptly reports to the Board of Directors (Board) on the terms, business purpose, benefits and other details of significant RPT for review and approval.

Our Audit Committee also 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.

OUR RELATED PARTY TRANSACTION POLICY

- 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 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 Consolidated Financial Statements of the Company's audited accounts and in required SEC filings.

In 2015, there were no RPTs of financial assistance or loans to Directors, affiliates or related entities which 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 2015.

ROLE OF STAKEHOLDERS

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

Our sustainable success is the result of collaborative governance that embodies contributions from our employees, investors, creditors, customers, suppliers, government and other stakeholders.

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.

Culture
We build a culture that drives behaviors aligned with our corporate values and business strategy. We invest in talent development programs and performance

RESPECT FOR RIGHTS OF STAKEHOLDERS

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.

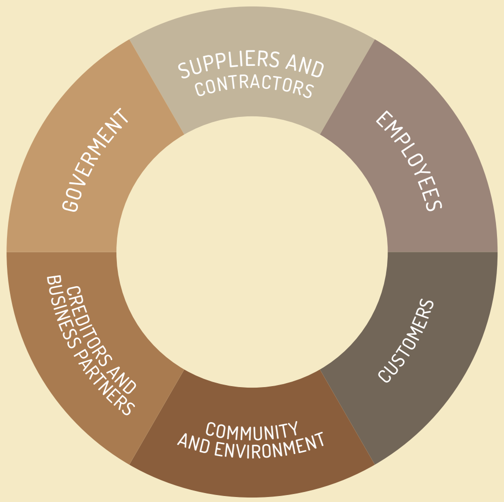
We adopt a Balanced Scorecard that considers their technical and behavioral competencies, such as adherence to and support of the Company's Code of Conduct, good governance program and Environmental, Safety and Health (ESH) policies.

Reward
Our reward/compensation policy accounts for Company performance based on a Balanced Scorecard (BSC) cascaded to all levels throughout the organization. Performance Objectives, Targets and Programs (OTPs) aligned with the Company's strategic and operational plans of the organization are defined at the beginning of the year throughout the organization. Key Performance Indicators (KPIs) to measure employee engagement in the Company's strategy map are set and agreed with Management. Management conducts performance monitoring through periodic meetings with department heads.

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.

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.



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 samples and tests the coal shipment, ensuring non-biased information in actual coal quality and shipped quantity. These results shall serve as the final basis for billing.

RESPONSIBLE MARKETING

- Strict adherence to Codes of Conduct on fair dealings and confidentiality in all transactions and business information, such as customer data.
- No resported complaints in violation of customer data privacy in 2015.

TRANSPARENCY

- During mine visits, all customer are given access to our coal handling, testing and loading operations so they can inspect and monitor their orders.
- In 2015, a total of 46 customers visits were accommodation in our mine site.

CUSTOMER SATISFACTION

- Increased customer engagement from95% to 100% in 2015, per in completed survey.
- Customer satisfaction index maintained at 100% in 2015.
- Timely resolution and updates of concerns or complaints.

Whistleblowers may report such concerns through our website or dedicated email address to 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 and Responsibility (CS®R) section of this Integrated Annual Report provides further information about our human resources programs.

Customers

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

In fulfilment 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 recertification 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 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 their plant's performance.

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

- **MEASUREMENT**
  We continuously measure the characteristics of our coal to ensure that customer requirements are clearly determined and understood.

  Any significant changes with regard to the coal order are communicated to the customer in a timely manner, before effecting any such change.

- **TESTING**
  To establish conformity with the coal requirements of the customer, we conduct the necessary tests and document the pertinent results prior to the scheduled shipments.

  Coal shall not be loaded and shipped until all the tests are completed and all results pass the agreed specification.

- **INSPECTION AND SAFETY**
  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 on the mine site.

- **FEEDBACK**
  Periodic customer satisfaction surveys are undertaken to gain client feedback and insights.

  The surveys are done at least 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.

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.

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.

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 twelve 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.

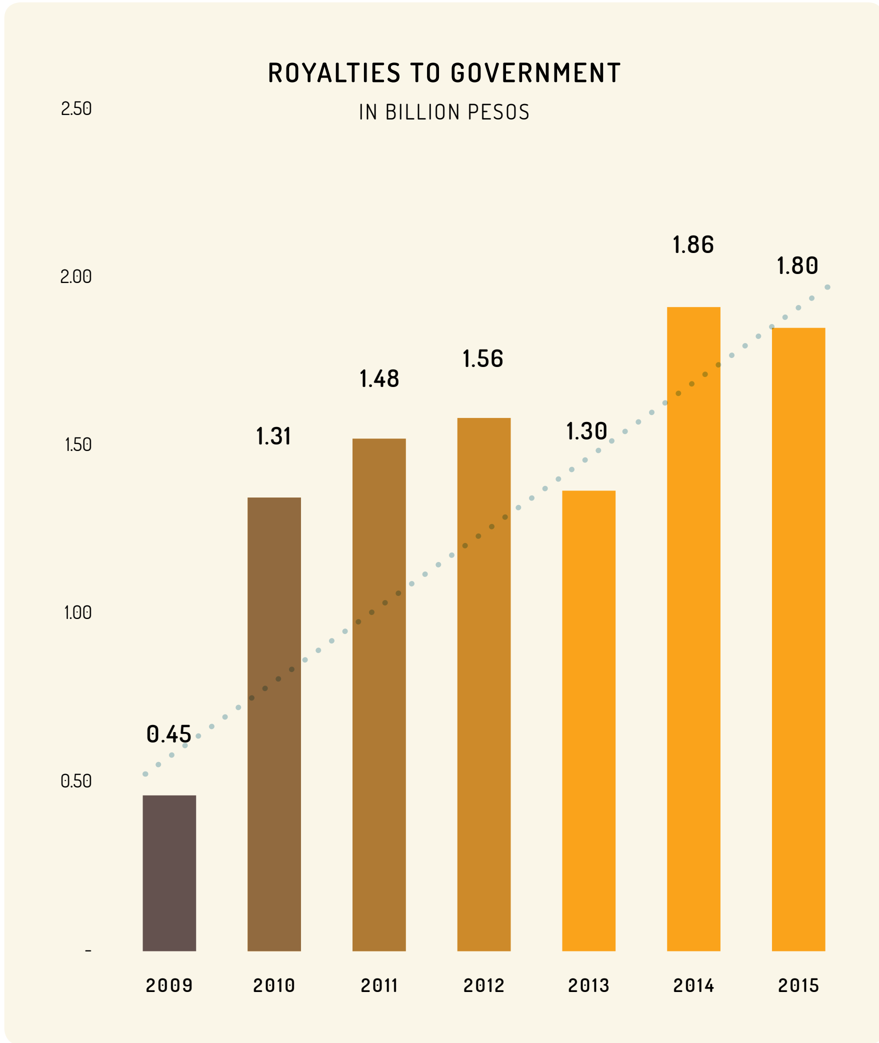
ENVIRONMENTAL STEWARDSHIP AND SUSTAINABILITY IN OUR VALUE CHAIN

AIR POLLUTION MANAGEMENT

- Installation of air pollution monitoring and control facilities of the Mine Site power plant
  - i. Control of S02 and N02 on plant emission - through the use of "limestone injection or dozing" to regulate allowable limit in the flue gas.
  - ii. Control of Dust Particulate from plant emission – through the use of "electrostatic precipitator" and "bag filters" to collect fly ash from the flue gas.
  - iii. Control of Dust from the coal feeding lines – through installation of dust collectors at every coal transfer point to collect dust generated during transfer.
  - iv. Monitoring of Flue Gas Emission – through installation of a Continuous Emission Monitoring System (CEMS) to monitor in real time quality of flue gas emission of the plant.
- 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
- Regular water spraying process during product transfers
- Preventive maintenance program of mobile and air-conditioning equipment

WASTE MANAGEMENT

- 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
- Consumption of unwashed and low grade coal by new power plants in Semirara Island and Calaca, Batangas



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.

Government

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

Equally important, our royalty and other tax 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 P1.81 billion in 2015, will allocation of P1.08 milliobn to the national government, P144 million to Antique Province, P324 million to Caluya Municipality, and P252 million to Barangay Semirara.

In the last five years, cumulative royalties have amounted to P 8 billion.

In 2015, the Province of Batangas awarded our power subsidiary, SEM-Calaca Power Corporation as its number one corporate taxpayer, after our payment of more than P145 million taxes to the municipalities of Calaca and Balayan, as well as recognized our significant participation in the continuous progress of the province.

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, judicious use of the country's natural resources and compliance with relevant taxation, laws and regulations.

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.

Our commitment to the sustainability of Semirara Island is discussed in detail in the Corporate Sustainability and Responsibility section of this Integrated Annual Report.

Continual Improvement

Our Company integrates value chain processes that minimize pollution and damage to the environment. Our integrated Environment, Safety and Health (ESH) management system is founded on the principle of continual 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.

Our Company has started construction of a covered area for its coal blending stockpiles at the minesite. The enclosure will prevent coal dust from dispersing out to the nearby community.

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.

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 over-all corporate performance.

Our governance framework shall recognize the interests of our stakeholders and their contribution to the long-term success of our organization.

Anti-Corruption and Ethics Program

Ethics is a core requirement among our employees and 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 Control Self-Assessment process under our Enterprise Risk Management. In 2015, all business units were assessed as to their vulnerability to such risks. Risk review results are evaluated by the Internal Audit (IA) and considered in the annual audit plan, and subsequently reported to the Audit Committee.

Our IA team has adequate fraud training to conduct related assurance work. IA's ethics-related services include a review of our organization's ethics governance and maturity through ethics climate surveys.

Gift and Entertainment Policy

Our Gift and Entertainment policy and guidelines explicitly disallow employees from receiving any gift, interest in, or benefit from, any supplier, customer and business partner that could reasonably be interpreted as inducing favoritism towards a particular business partner 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.

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

Whistleblowing

Our Integrity 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.

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.

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

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

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 support adherence to 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 your 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.

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.

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. We also provide timely disclosure of material developments that arise between regular reports.

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.

Shareholders and Beneficial Owners of 5% or more of our Company's shares, as well as the direct and indirect shareholdings of our Directors and senior management are fully disclosed in the SEC 20-Information Statement, 17-A annual report and Annual Corporate Governance Report.

Related Party Transactions

Our RPT Policy requires our Independent Directors (IDs) to review material/significant RPTs that meet the threshold level stipulated by regulatory requirements on material RPTs to determine that 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.

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).

In 2015, Our IDs and the Audit 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.

TIMELY, ACCURATE DISCLOSURE OF MATERIAL INFORMATION

2015 Related Party Transactions

Related Party	Nature	Amount/Volume (In Million Pesos)
Wholly-Owned Subsidiaries:		
SEM-Calaca Power Corporation	Coal supply	4,377
Southwest Luzon Power Generation Corporation	Coal supply	287
Affliates: D.M. Consunji, RInc.	Engineering Procurement and Construction-related additional works on power projects and other various civil works projects and services	1,784
DMC Construction Equipment and Resources, Inc.	Exploratory and confirmatory drilling and hauling services	916
St. John Bulk Handlers Inc.	Coal handling services	370
DMCI Power Corporation	Power operation and maintenance services	324

CRITERIA FOR REVIEWING RELATED PARTY ACCOUNTS

We do not practice the following:

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

External Audit

An external auditor examines our accounting records to make sure that our financial statements 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.

In 2015, our external auditor is SyCip, Gorres, Velayo & Co. (SGV). Since 2012, Ms. Cyril Jasmin B. Valencia has been assigned as the Assurance Partner-In-Charge, in compliance with SEC regulatory policy requiring 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 2015 are as follows:

Audit Fee	**PHP5.4 M** incl. Subsidiaries' audit fees of Php2.9 M
Non-audit Fee	**PHP73,920** for assurance engagement as an independent party to count and/or validate the votes by poll cast at the 2015 Annual Stockholders' Meeting.

Information Policy

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

ANNOUNCEMENTS AND UPDATES

We release announcements or disclosures on material business developments and updates, as needed.

PERIODIC REPORTING

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.

INVESTOR RELATIONS

We conduct and/or participate in investor relations activities such as analyst briefings, investor conferences, among others.

COMPANY WEBSITE

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.

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.

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 media in informing stakeholders of timely business developments, as needed.

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
Assistant Vice President
Investor and Banking Relations

Semirara Mining and Power Corporation
E-mail: sepadilla@semirarampc.com
T +632 888-3644
F +632 888-3553

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T +632 888-3025
F +632 888-3553

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

2015 HIGHLIGHTS OF INVESTOR RELATIONS ENGAGEMENT

ACTIVITY	DETAILS
1. Regional / international conferences	6-7 MARCH BoAML ASEAN Conference Singapore 3-4 SEPT CLSA NDR London, England 7-8 SEPT DB Philippine Access Day London, England 14-16 SEPT CLSA Investors Forum, Hong Kong, SAR
2. Philippine conferences	2 FEB J.P Morgan Philippine Conference Makati City 4 MAR UBS Conference Makati City 8 OCT DB Philippine Access Day Makati City
3. Analyst briefings	23 JUL Special briefing re: Mine Site Pit incident 24 AUG H1 2015 joint briefing with parent DMCI Holdings, Inc. 26 NOV Q3 2015 joint briefing with parent DMCI Holdings, Inc.
4. Investor / Creditor visits at Mine Site and Power Plant Sites of Subsidiaries	3 JUN Mine Site Visit, Semirara Island, Antique 3 FEB, 15 JUN, 6 OCT, 5 NOV Power Plant Sites, Calaca, Batangas

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.

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.

EFFECTIVE BOARD LEADERSHIP AND PERFORMANCE

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

- It approves and adopts corporate strategy, and proactively oversees its execution using control mechanisms and risk management systems.
- It formulates and adopts corporate policies, beginning with those related to corporate governance and strategy execution oversight.
- It monitors the financial and non-financial performance of the Company, including oversight of risk management.
- It establishes an accountability system that provides equal emphasis on rewards, incentives and penalties.
- It 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 affirms our Vision and Mission Statement. Both were last reviewed and approved on November 11, 2015.

Our annual strategic planning exercise includes an understanding and review of the achievement of the Vision, Mission, corporate values, goals and objectives across the organization. We also align and emphasize the integration of our overall strategy map and top-down communication across all levels of the organization.

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) 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 2015, all Directors and officers have certified their compliance with the Code.

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 AN ENERGY SOURCE, SEMIRARA MINING AND POWER CORPORATION COMMITS TO:

- Adhere to the safety standards and best practices in the mining and power industries
- Remain as the undisputed leader in the coal mining industry and vertically integrated coal-based power producer in the Philippines
- Play 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
- Supply its customers with quality coal that meets their stringent specifications
- Provide reasonable economic returns to its investors and business partners
- Empower its employees to prosper in a climate of integrity and excellence
- Work 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

WE CONDUCT OURSELVES AND MANAGE OUR BUSINESS ACCORDING TO THE FOLLOWING:

COMMITMENT that fuels realization of our mission without compromising Environment, Safety and Health of our stakeholders;

EXCELLENCE that drives us to deliver outstanding results;

PROFESSIONALISM that embodies our work quality.

TEAMWORK that enables us to work towards common goals;

INTEGRITY that upholds the cornerstone of our business ethics; and

LOYALTY that keeps us steadfast over challenges and time.

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.

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 to 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 considered the roster of the Institute of Corporate Directors' Fellows & Graduate Members, among others, during its search for candidates due to a Board seat vacancy in 2015.

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 corporate 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

Our executive directors do not serve on more than two (2) board seats of listed companies outside of 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

Our Company is committed to creating and leveraging diversity in the Board that will provide effective and sustainable leadership of the organization. It shall consider the mix of diversity in determining the optimum composition of our Board, in terms of skills, experience, independence, knowledge, gender and background. There is also no discrimination of gender, age and religion in the selection and appointment of our Board.

Our Board's Nomination and Election Committee assists in the nomination and selection of suitable candidates for Board appointment with due regard of the diverse competencies to achieve an inclusive and collaborative governance culture.

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. Majority of our Directors possess mining and engineering core competencies that are aligned with our group's strategy of vertical integration of our coal energy business.

Board and Director Development

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

New Directors are given an orientation of our Company's and group's financial and operational and corporate governance aspects of our business. In 2015, our C-suite and management team conducted an orientation for a newly appointed non-executive director.

Directors are encouraged to visit our mine site and power plants, as part of their continuing knowledge and understanding of our operations. Directors have attended the Wholesale Electricity Spot Market seminar conducted by the Philippine Electricity Market Corp. for a better understanding of our power business

Our Directors have conducted formal self-assessments of their skills and expertise, including identification of development areas of interest.

In 2015, all Directors have fully complied with the corporate governance orientation and seminars as required by SEC regulations.

Chairman and Chief Executive Officer (CEO)

The Chairman and CEO roles are unified to centralize leadership as 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 group.

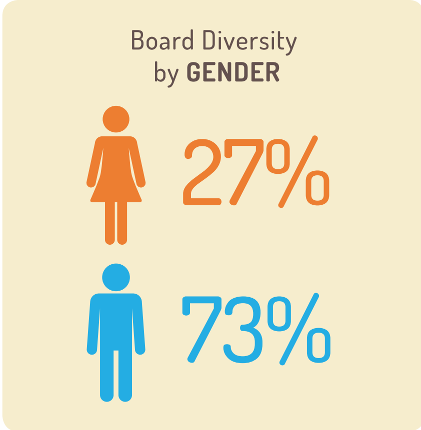
Our Company's governance structure ensures a check and balance of power, independent thinking and accountability through defined roles and responsibilities of the Board, CEO and Management in our Amended By-Laws and Revised Code of Corporate Governance, good governance framework, annual Board and CEO performance evaluation process, among others.

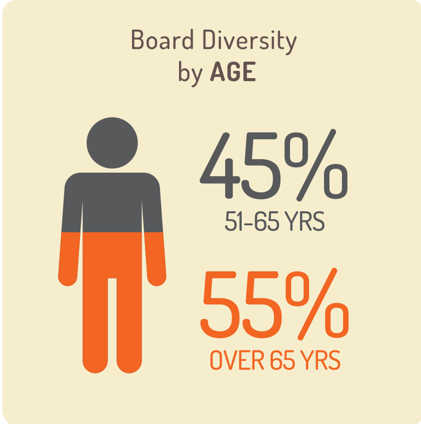
Independent Directors

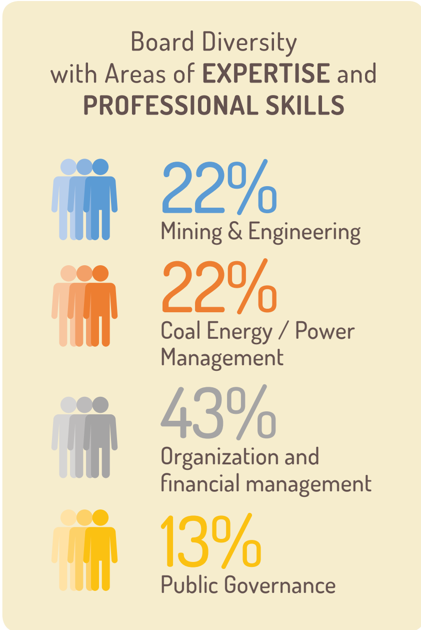
An Independent Director (ID) is defined as one with no interest or relationship with the Company that may hinder his independence from the Company or its management, or may reasonably be perceived to materially interfere in the exercise of his independent judgment in carrying out the responsibilities expected of a director. Oour Company's IDs possess the qualifications and none of the disqualifications under existing Philippine regulatory rules and requirements for IDs. They have been 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 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.

The 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 IDs to the Board of our Company's wholly-owned subsidiary, SEM-Calaca Power Corporation.







	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

Our IDs have been re-elected with high regard for their exemplary performance in leadership, broad-based governance expertise, extensive experience in finance and related industries, and their significant contribution to our Board and Company's strategy map.

Board Meetings

The Board had eleven (11) meetings, including its organizational meeting, in 2015. 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%.

Their individual meeting performance, as well as the number of our Board and Committees' meetings are in consonance with the ACGS best practices.

To enhance best practices in Board performance effectiveness, our amended By-Laws require a Board attendance quorum requirement from majority as per regulatory requirement to two-thirds (2/3).

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 as 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 in advance of Board meeting date. 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.

BOARD OF DIRECTORS MEETING PERFORMANCE 2015

Board Role and Appointment	Directors	Board and Organizational Meetings	Annual Shareholders' Meeting	Nomination and Election Committee	Compensation & Remuneration Committee	Risk Committee	Audit Committee
Executive Director, Chairman and CEO	Isidro A. Consunji	11/11	1/1	2/4		2/2	
Executive Director, Vice Chairman and President	Victor A. Consunji	11/11	1/1			2/2	10/10
Non-Executive Director	Jorge A. Consunji	11/11	1/1				
Non-Executive Director	Cesar A. Buenaventura	11/11	1/1				
Non-Executive Director	Herbert M. Consunji	11/11	1/1			2/2	
Executive Director	George G. San Pedro	11/11	1/1				
Executive Director	Maria Cristina C. Gotianun	11/11	1/1		2/2	2/2	
Non-Executive Director	Ma. Edwina C. Laperal	11/11	1/1				
Non-Executive Director	Josefa Consuelo C. Reyes *	9/9*	1/1				
Independent Director	Victor C. Macalincag	11/11	1/1	4/4	2/2	2/2	10/10
Independent Director	Rogelio M. Murga	11/11	1/1	4/4	2/2		10/10
Chairman Emeritus	David M. Consunji*	0/2*					

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

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.

Director Remuneration

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

Director fee and per diem are subject to shareholder approval. When appropriate, the Board approves, upon recommendation of the Compensation and Remuneration Committee, short-term corporate performance-based bonuses for Executive Directors.

In cognizance of the significant contribution of the Independent Director (ID) and Non-Executive Director (NED) and to align to market, the shareholders approved the increase in ID and NED fees, effective June 1, 2015, at the 2015 ASM. Our Board and its Compensation and Remuneration Committee also approved that IDs and NEDs will not receive variable performance-based bonus pay following the effectivity of 2015 fee adjustment.

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

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

In 2015, 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 abovementioned limits set by the Company's Amended By-laws.

Details of Director compensation are disclosed in relevant sections of our SEC

EXECUTIVE DIRECTOR REMUNERATION SUMMARY

FIXED RETAINER FEE
P240,000
per annum*

FIXED MEETING PER DIEM
P20,000
Committee Meeting attended*

*Date of Shareholder approval - May 4, 2009

NON-EXECUTIVE DIRECTOR AND INDEPENDENT DIRECTOR REMUNERATION SUMMARY
effective June 1, 2015

FIXED RETAINER FEE
P 150,000/MONTH
(or P 1,800,000 per annum)**

FIXED MEETING PER DIEM
P20,000
Committee Meeting attended*

**Date of Shareholder approval - May 4, 2015; previously P240,000 per annum as then approved by shareholders in May 4, 2009 ASM
*Date of Shareholder approval - May 4, 2009

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.

FINANCIAL METRICS
Business and Operational objectives

NON-FINANCIAL METRICS
Safety, ethics and governance, risk management, internal controls and processes, business development and corporate
social responsibility

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 2015, the Board evaluated the performance of the CEO and COO in the preceding financial year.

Board Performance Evaluation

The annual performance evaluation process of the 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.

In 2015, full Board and peer director evaluations were administered and reported by the Chief Governance Officer.

Aside from the overall rating results, the highlights of the Board's strengths and areas in need of attention are reported 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, the Board established four (4) good governance Committees, namely: Nomination and Election Committee, Compensation and Remuneration Committee, Risk Committee and Audit Committee. The Corporate Secretary, Chief Governance Officer and Legal department provide full support to the Board and good governance committees.

In March 2015, the Board approved the creation of a separate Board-level Risk Committee to exemplify the importance of the risk management function.

Committee Charter

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

BOARD COMMITTEE	MAIN OVERSIGHT AREAS
NOMINATION AND ELECTION	• Nomination process and criteria for the directorship • Independence of directors • Board and Director performance and development • Board and executive succession planning • Appointment of key officers
COMPENSATION AND REMUNERATION	• Compensation philosophy and policies consistent with the Company's culture, strategy and control environment • Remuneration framework of directors and executives • CEO and COO performance appraisal
RISK	• Enterprise-wide risk management framework • Risk governance • Risk management practices and policies
AUDIT	• Financial reporting • Internal control environment • External audit • Internal audit function • Compliance and governance

Due to the creation of a new Risk Committee, the Audit Committee Charter was amended to delete related provisions on risk management oversight.

Committee Performance

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

The Committees conduct annual reviews of the effectiveness of their 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 Committees, and addressed accordingly.

In 2015, 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, is chaired by an Independent Director (ID) and with majority membership of IDs in consonance with ACGS best practices.

The Committee reviews each Director's continuation on the Board every year, taking into account meeting performance, participation and contribution to the Board. It considers the roster of the Institute of Corporate Directors for potential candidates as replacement for vacancy in directorship.

Meeting Performance

The Committee held four (4) meetings with the Corporate Secretary/VP Legal, Senior Management and Chief Governance Officer. Meetings were presided by the Committee Chair with full Committee attendance in March 4 and March 18, 2015, and with a quorum of two Members (Victor C. Macalincag and Rogelio M. Murga) in February 25 and November 6, 2015.

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:

NOMINATION AND ELECTION COMMITTEE

- CHAIRMAN -
Rogelio M. Murga
Independent Director

- MEMBERS -
Victor C. Macalincag
Independent Director

Isidro A. Consunji
Executive Director

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 (IDs)	Every March (prior to the Annual Meeting on first Monday of May) of each year, IDs 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 still constituting a quorum upon 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.

2015 WORK DONE AND ISSUES ADDRESSED BY NOMINATION AND ELECTION COMMITTEE

NOMINATION AND SELECTION	Reviewed with the Corporate Secretary the nomination process, criteria, qualifications and final selection of Board nominees for directorship as stated in the Amended By-Laws, Revised Code of Corporate Governance and pertinent SEC rules, and ensuring that they meet the requisite qualifications and taking into account their qualifications, experience, knowledge and expertise meet the needs of the Board and are aligned to SMPC Group's strategy. Deliberated and endorsed for Board approval the appointment of Josefa Consuelo C. Reyes, new Non-Executive Director, taking into account her qualifications, experience, knowledge and expertise that meet the needs of the Board and are aligned to SMPC Group's strategy.
SUCCESSION PLANNING AND LEADERSHIP	Reviewed and endorsed changes in the roles, membership and leadership of the Board and its Committees. Discussed and reviewed with senior management the organizational development program, Board and executive succession planning and leadership needs of SMPC Group, as well as discussed movement of key officers.
BOARD PERFORMANCE AND DEVELOPMENT	Reviewed the annual appraisal of the full Board and individual Board Director performance to assess and strengthen Board effectiveness. Exercised oversight of Board orientation by C-suite and management team Senior Management to familiarize the new Non-Executive 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 leadership programs, affiliation with or memberships in professional organizations, and participation in corporate governance seminars among others.

Compensation and Remuneration Committee

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

The Committee annually 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 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.

Meeting Performance

The Committee held two (2) meetings with Senior Management and the Chief Governance Officer. Meetings were presided by the Committee Chair with full Committee attendance in February 25 and November 6, 2015.

COMPENSATION AND REMUNERATION COMMITTEE

- CHAIRMAN -
Victor C. Macalincag
Independent Director

- MEMBERS -
Rogelio M. Murga
Independent Director

Ma. Cristina C. Gotianun
Executive Director

2015 WORK DONE AND ISSUES ADDRESSED BY COMPENSATION AND REMUNERATION COMMITTEE

BOARD REMUNERATION	Deliberated and endorsed for shareholder approval the proposed increase in fees of Independent Directors (IDs) and Non-Executive Directors (NEDs) to P 150,000 per month or P 1,800,000 per annum. The proposed fee takes into account the significant role and contribution of IDs and NEDs in Board performance, and alignment to market and to the ASEAN Corporate Governance Scorecard (ACGS) 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.
EXECUTIVE REMUNERATION	Reviewed and discussed significant updates on executive remuneration levels and compensation programs to ensure alignment with SMPC Group's compensation strategy, sustainable business, pay for performance culture and linkage to attraction and retention risk strategy.
CEO & COO PERFORMANCE APPRAISAL	Discussed and emphasized Safety as a key performance measure from top-down levels across the organization, and amended the CEO/COO Balanced Scorecard to align with the Board's commitment on Safety as a primary core value to the Company's business. 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.

Risk Committee

The Risk Committee is a mix of five (5) regular and non-regular Directors. All members have the relevant technical and financial expertise in risk disciplines.

Our Company's Risk Advisory unit headed by Crisgundy D. Sabado, Risk Manager provides risk monitoring and reporting assurance to the Risk Committee and Senior Management regularly.

Meeting Performance

The Committee held two (2) meetings and were presided by the Committee Chair with full Committee attendance in July 23 and September 30, 2015.

RISK COMMITTEE

- CHAIRMAN -
Herbert M. Consunji
Non-Executive Director

- MEMBERS -
Victor C. Macalincag
Independent Director

Isidro A. Consunji
Executive Director

Victor A. Consunji
Executive Director

Ma. Cristina C. Gotianun
Executive Director

2015 WORK DONE AND ISSUES ADDRESSED BY RISK COMMITTEE

RISK GOVERNANCE AND MITIGATION	Reviewed and discussed with third party geology consultant and Management the back analysis of the Panian Pit slide which occurred on July 17, 2015, additional pit safety measures to strengthen safety and related compliance updates. The Committee Chair and all Members attended the special investors briefing on July 23, 2015 to address possible analyst and investor queries on risk oversight matters. Reviewed and discussed with Management the risk governance structure, strategic risks and risk management thereof to strengthen the effectiveness of the Company's enterprise-wide risk framework, governance and mitigation

Audit Committee

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

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, energy 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.

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

In 2015, the Committee held ten (10) meetings, including private sessions with the Internal Audit in conformance with best practices. Meetings were presided by the Committee Chair with full Committee attendance in all meetings.

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.

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

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

AUDIT COMMITTEE

- CHAIRMAN -
Victor C. Macalincag
Independent Director

- MEMBERS -
Rogelio M. Murga
Independent Director

Victor A. Consunji
Executive Director

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.

The 2015 Audit Committee Report to the Board of Directors is included in the Consolidated Financial Statements section of the Integrated Annual Report.

2015 WORK DONE AND ISSUES ADDRESSED BY AUDIT COMMITTEE

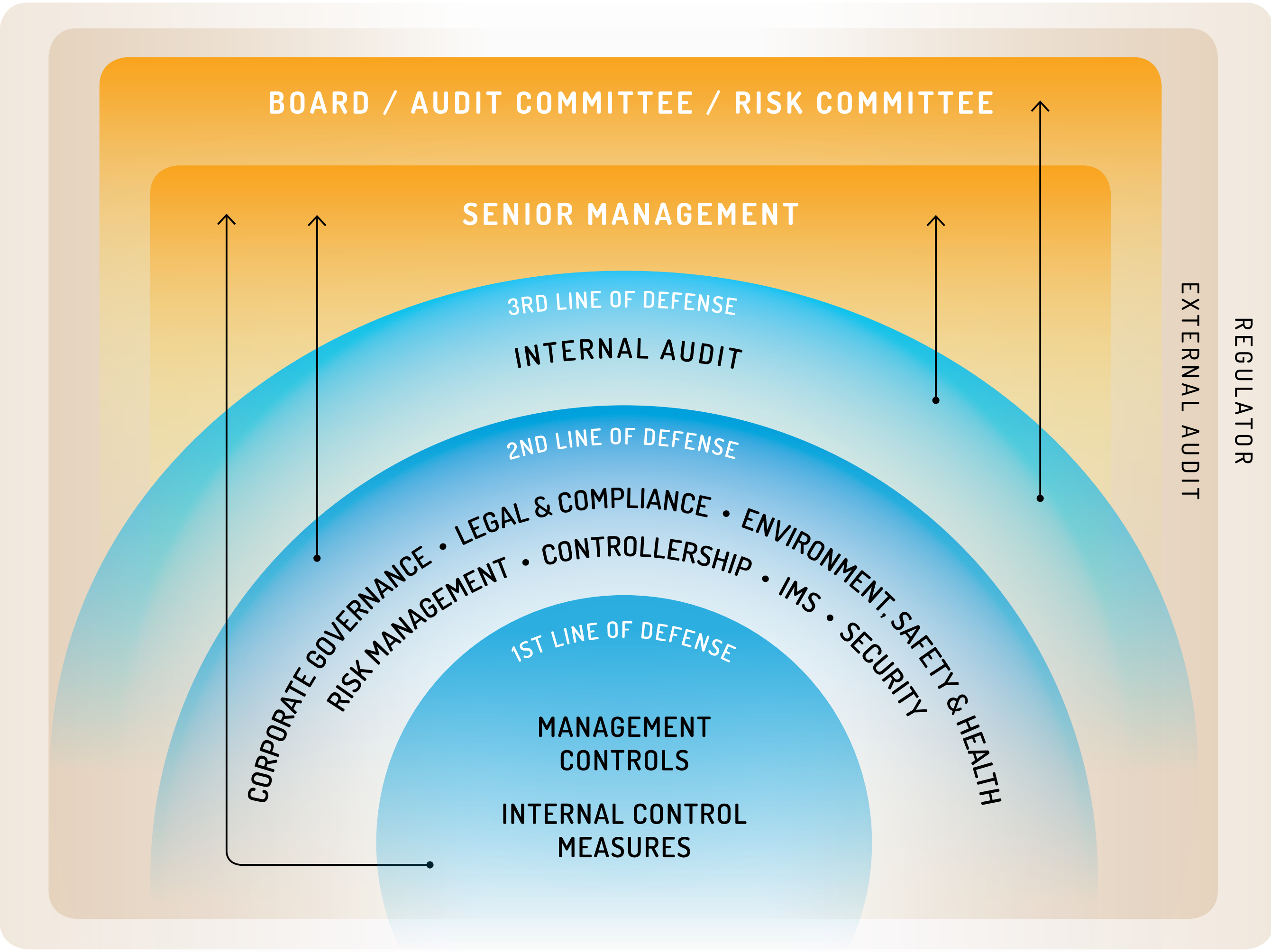
FINANCIAL REPORTING PROCESS AND FINANCIAL STATEMENTS	Reviewed, approved and endorsed for Board approval the quarterly unaudited and annual audited consolidated financial statements Ensured that financial statements are in accordance with the required accounting and reporting standards Reviewed the adequacy of financial reporting disclosures, including significant related party transactions to provide a transparent and fair view that meet shareholder needs
EXTERNAL AUDIT	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 2016 based on SGV's performance, independence, qualifications and with due regard of 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.
INTERNAL AUDIT	Reviewed and approved Internal Audit's annual plan based on a risk-based approach Ensured that Management has provided adequate resources to support the function and maintain its independence. Met in executive sessions with the Internal Audit Manager to review and discuss Internal Audit's assurance and advisory work including its organization structure.
INTERNAL CONTROL	Reviewed and discussed audit findings, internal control and compliance issues with Management, SGV & Co., Internal Audit and Compliance Committee, and ensured Management responded appropriately for the continual improvement of controls and risk management processes.
COMPLIANCE, RISK AND GOVERNANCE	Discussed and reviewed with the Compliance Committee significant updates and actions on SEC, PSE, legal, tax, claims, litigations, environmental, safety and other regulatory matters. Discussed in a joint meeting the Risk Committee the results of risk reviews and interdependencies of such risks with the Audit Committee's oversight responsibilities. Reviewed its Charter and amended related provisions on compliance, risk and governance to strengthen the Committee's effectiveness, and deleted related risk management provisions as a result of the spin-off of risk oversight from the Audit Committee to a separate Risk Committee. Conducted a self-assessment of its own performance using a formal questionnaire with defined quantitative rating and corresponding qualitative description for such rating, and reported to SEC, the results of its own self-assessment which indicated an overall compliance level in consonance with abovementioned SEC's Audit Committee performance guidelines on effectiveness.

Internal Controls and Risk Management Systems

Our Board is responsible for the internal controls and risk management systems of our Company. Its Audit Committee assists in the oversight of the internal controls, financial reporting process, internal audit, external audit and compliance functions, while its Risk Committee assists in the oversight of the risk management process.

In March 2015, our Board approved the creation of a separate Board-level Risk Committee to exemplify the criticality of the risk management function and continual improvement of risk management. The Risk Committee oversees the enterprise-wide risk management process and ensures that risks related to the oversight responsibilities of the other Board Committees are clearly addressed in the performance of their duties, among others.

SMPC GROUP GOVERNANCE, RISK AND CONTROL FRAMEWORK



Our company adopts The Institute of Internal Auditors Position Paper: 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.

The 2015 Board Statement on the adequacy and effectiveness of internal controls and risk management systems is included in the Consolidated Financial Statements section of the Integrated Annual Report.

Internal Audit

The Internal Audit (IA) provides our Board 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.

IA Function

The Internal Audit (IA), led by IA Managers, Carla Cristina T. Levina, Karmine Andrea B. San Juan and Joseph D. Susa, 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).

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. It periodically reports to the Audit Committee the status of its audit activities in relation to its annual audit plan as approved by the Audit Committee, including the significant results of the audit. The appointment, performance evaluation and replacement of the internal auditors requires the approval of the Audit Committee. Further, IA annually attests to the Board whether a robust internal audit, control and compliance system is in place and working effectively within the Company.

In 2015, Joseph D. Susa, IA Manager, was added to the team to improve coverage of audit areas in its subsidiaries. Also, the IA Department strengthened its competencies by hiring mining and electrical engineers for its technical audit engagements.

This year was also a transition year as IA has gradually turned over the conduct of Risk and Control Self-Assessment (RCSA) for 2016 to the Risk Advisory Department. The RCSA results were used and aligned with the IA's risk-based audit strategic plan of 2016-2020.

Further, IA has conducted an assurance of the Company's governance process, specifically on the review of the Company's anti-fraud and ethics programs and practices to assess its level of implementation and the employees' current level of awareness and understanding.

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 2015, the IA team conducted an internal quality assessment on a per engagement basis and on the IA team as a whole in relation to its adherence to the IIA Standards. Also, the Audit Committee evaluated IA's overall performance based on IA's primary mandate of reassurance and value protection, and in providing value adding services through consideration of the Company's strategic focus in their audit engagements. . The assessment aims to seek continual improvement of the function's strategic role, independence, objectivity and performance effectiveness covering areas on IA's responsibilities and accountability, charter, organization structure, skills, experience, communication and quality.

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 2015, IA has attended relevant seminars, conferences and technical sessions of ISACA, IIA, ACFE and other accredited training institutions covering topics of risk-based audit, IIA Standards, IA quality assessment, security and fraud awareness. It also met regularly with other internal audit teams within the DMCI group for sharing of industry knowledge and leading practices.

BOARD OF

Directors

ISIDRO A. CONSUNJI
Chairman of the Board
Chief Executive Officer

VICTOR C. MACALINCAG
Independent Director

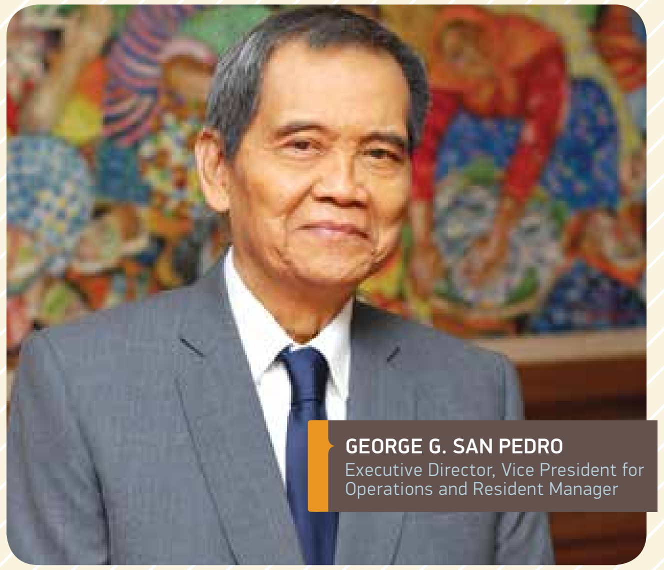
ROGELIO M. MURGA
Independent Director

JORGE A. CONSUNJI
Non-Executive Director

CESAR A. BUENAVENTURA
Non-executive Director

VICTOR A. CONSUNJI
Vice-Chairman
President and COO

MARIA CRISTINA C. GOTIANUM
Executive Director
Executive Vice President



GEORGE G. SAN PEDRO
Executive Director, Vice President for Operations and Resident Manager

HERBERT M. CONSUNJI
Non-Executive Director

JOSEFA CONSUELO C. REYES
Non-Executive Director

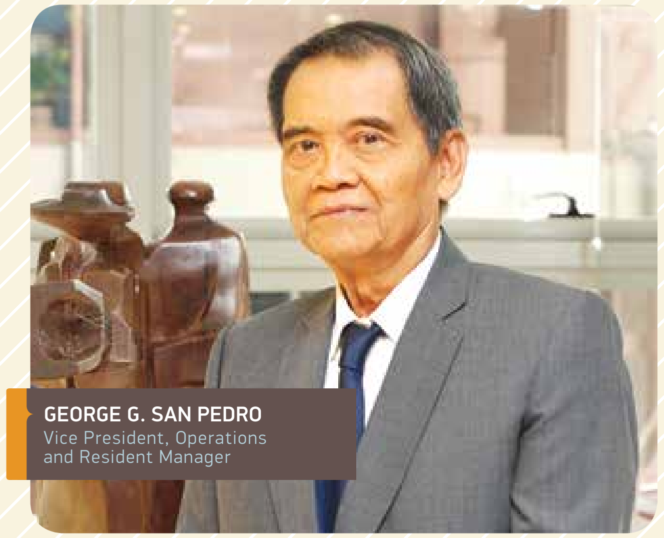
MA. EDWINA C. LAPERAL
Non-Executive Director

Management Committee

ISIDRO A. CONSUNJI
Chief Executive Officer

VICTOR A. CONSUNJI
President and Chief Operating Officer

MARIA CRISTINA C. GOTIANUN
Executive Vice President



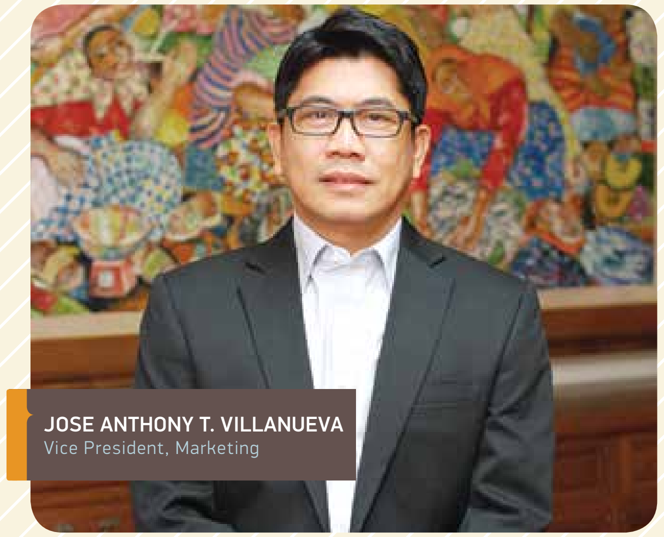
GEORGE G. SAN PEDRO
Vice President, Operations and Resident Manager

JUNALINA S. TABOR
Vice President, Chief Finance Officer

JAIME B. GARCIA
Vice President, Procurement and Logistics

NENA D. ARENAS
Vice President, Chief Governance Officer and Compliance Officer

ATTY. JOHN R. SADULLO
Vice President, Legal and Corporate Secretary



JOSE ANTHONY T. VILLANUEVA
Vice President, Marketing

ANTONIO R. DELOS SANTOS
Vice President, Treasury

SHARADE E. PADILLA
Assistant Vice President, Investor and Banking Relations

ANDREO O. ESTRELLADO
Assistant Vice-President, Market and Commercial Operations - Power

MINE SITE

Management

STANDING (left to right)

STANDING: **Barry C. Lewis**, Consultant; **Rene C. Gonzales**, Dept Head - Mobile, **Jerry O. Celo**, Dept Head - Electrical, **Jose Leo S. Valdemar**, Dept Head - Power Plant, **Nestor V. Agapito**, Dept Head - Materials Control, **Ruben P. Lozada**, Asst Resident Manager, **Leto T. Macli-ing, Jr.**, Dept Head - Mine Truck & Shovel Operation; **Vicente Cesar V. Malig**, Division Head - Admin Core, **Brian Zoilo Aurelio M. Esber**, Geologist; **Renato L. Mauricio**, Production In-Charge – Pottery; **Agustin D. Gonzales**, Head - Shipbuilding, **Daisy R. Potayre,** Head - Humic Plant, **Edna A. Gayondato**, Dept Head - Analytical Laboratory, **Maximo V. Sadural, Jr.**, Dept Head - Mine Planning & Engineering, **Vicente T. Lantaca, Jr.**, Reforestation In-Charge

SEATED (left to right)

SEATED: **Rodante Q. Molina**, Dept Head - Mechanical Services, **Mark C. Munar**, OIC - Civil Works, **Harold Henry G. Cabanilla,** IMS Officer, **Jerum O. Barros**, General Foreman - Electrical, **Arnel P. Jadormio**, Dept Head - Safety, **Gerry M. Marcellana**, HR Manager, **Jaime D. Guillermo**, Accounting Manager; **Janesto S. Diaz, Jr.**, Pollution Control Officer; **Mark Louis A. Bentayo,** Dept Head - Product, **Leandro D. Costales, Jr.**, Comptroller; **Redemptor D. Macaraan**, Division Head - Admin Non-Core.

NOT IN PHOTO

NOT IN THE PICTURE: **George G. San Pedro**, Vice-President / Resident Manager, **Elson J. Crisologo**, Geology Head; **Isidro C. Dacanay**, Shipping Head; **Dra. Annabelle A. Rebollido**, Medical Director, **Peter M. Tink**, Safety Consultant

Power Plant Management

DENEL C. MATEO
Assistant Vice President, Plant Manager

EDGARDO S. LAGMAN
Assistant Vice President, Facilities

FREDDIE S. DELMENDO
Assistant Vice President
Procurement and Logistics

CHARLIE V. ROBLES
Plant Manager

CHRISTOPHER THOMAS C. GOTIANUN
Technical Assistant to the COO

Key Consultants

PETER TINK
Safety Consultant

BARRY CHARLES LEWIS
Mine Management Consultant

Other Officers

SEMIRARA MINING AND POWER CORPORATION

TERESITA B. ALVAREZ,
Consultant, ICT

CAMILLE CHRISTINE I. CONSUNJI
Process Re-engineering Manager

LEANDRO D. COSTALES, JR.,
Comptroller (SMPC)

RANDEE M DELOS SANTOS
Accounting Manager (SCPC)

MARK V. EVANGELISTA
Purchasing Manager

MARCELLA D. ELLAO
Comptroller (SCPC)

JOANNE MARIE C. GOTIANUN
Special Projects Manager

ANTONIO C. JAYME
Consultant, Group Accounts Audit

CARLA CRISTINA T. LEVINA
Internal Audit Manager

JOSEPHINE G. OLARTE,
Accounting and Finance Manager (SLPGC)

ERNESTO P. PACULAN
Consultant, Logistics

MELINDA V. REYES
Risk and Insurance Officer

CRISGUNDY D. SABADO
Risk Advisory Manager

RACHELL BELLE F. SANTOS
Human Resources Officer

KARMINE ANDREA B. SAN JUAN
Internal Audit Manager

JOSEPH D. SUSA
Internal Audit Manager

FELIX T. OCCENA
Consultant, Special and Developmental Projects

SCPC POWER PLANT
Officers

(left to right) **Ronaldo A. Endaya** – Operations Superintendent (DPC), **Emmanuel G. Bajar** - Safety Manager (DPC), **Randy C. Torres** – Instrumentation & Control Superintendent (DPC), **Pedro R. De Padua** – Manager, Environmental (SCPC), **Constantino B. Tumbaga** – Mechanical Maintenance Superintendent (DPC), **Bernard I. Carpio** – Planning & Scheduling Superintendent(DPC), **Marcela V. Ellao** – Controller (SCPC), **Denel C. Mateo** – AVP & Plant Manager (DPC), **Oscar Q. Querubin** – Mechanical Engineering Superintendent (DPC), **Reynaldo C. Severino** – Coal Handling Operations Manager (SJBHI), **Jovenal M. Lafuente** – Maintenance Manager, **Procopio T. Panuncillon** – Electrical Maintenance Superintendent

NOT IN PHOTO: **Melchor D. Borbon** – General Services Manager, **Jim B. Jaime, Jr.** – Materials Control Manager, **Fe B. Torrefranca** - Chemical Laboratory Superintendent, **Ronilo R. Bautista** - Operations Superintendent, **Ismaelito V.Almazan** - Operations Superintendent, **Rodolfo B. Rabacca** - Operations Superintendent, **Adolfo M. Mendoza** - Operations Superintendent, **Efren D. Untalan** - Engineering Superintendent, **Estela D. Balbago** - HR Manager, **Valnario S. Leyba** - Operations Manager

SLPGC POWER PLANT
Officers

(left to right) **Hermenegilda N. Mayor** - Chemical Operations Superintendent, **Hope D. Picson** - HR Head, **Edgar C. Mariano** - IMMC Head , **Fred F. Fajarillo** - Performance Head , **Eduardo S. Dungca** - I & C Superintendent, **Richard V. Endaya** - Planning & Scheduling Head, **Danny P. Reyes** - Mechanical Maintenance Head, **Noel N. Salamat** - Operations Manager, **Charlie V. Robles** - Plant Manager , **Rene N. Cordero** - Technical Services Manager, **Gil D. Enamno** - Maintenance Manager, **Jeffrey D. Lagaya** - Technical Documentation Head /IMS Officer, Bayani Q. **San Pedro** - Electrical Maintenance Superintendent, **Ruperto C. Demition** - Plant Engineering Superintendent, **Rizaldy S. Manlusoc** - Operations Shift Superintendent , **Rossini B. Marasigan** - Learning and Development Head

Rehabilitated Unong Mine (Depleted December 1999)

ENTERPRISE RISK **MANAGEMENT**

Tabunan Marine Sanctuary

Risk Management is strategic and fundamental to our business objectives.

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ERM Policy and Process	82
ERM Key Guiding Principles	83
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Risk Overview

Our Enterprise Risk Management framework focuses on five main risk categories:

1 OPERATIONAL RISKS

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

RISK MANAGEMENT STRATEGY

1. Adhere to mine safety standards for open pit mining
2. Utilize latest technologies and tools for open pit safety
3. Strengthen pit safety organization
4. Upgrade mining protocols and monitoring of pit walls
5. Training and Awareness on Safety (Behavioral and Workplace)
6. Emergency Preparedness and Response Exercise
7. In-situ determination of coal quality for proper blending
8. Implement ISO Integrated Management System
9. Adopt sparing system for critical parts, maintenance of spare inventory of parts with long order lead time, among others
10. Expand exploration drilling
11. Mine management system
12. Reconnaissance program for new coal concessions
13. Implement Business Continuity Management System
14. Risk transfer through insurance cover for physical assets
15. Continuously engage Original Equipment Manufacturer for improved power plant efficiency and performance.
16. Establish Enterprise Asset Management System (EAMS), Policy, Process and Plan.
17. Improve and implement security solutions and upgraded network applicnces to protect critical information resources from vulnerabilities and potential malicious threats.

2 MARKET RISKS

Risk related to market share, industry/economic/political change, competitors, shift in demand, consumer preference, price volatility, consumer dependence and energy market coding.

RISK MANAGEMENT STRATEGY

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
6. Implement aggressive marketing strategy and competitive pricing for power segment

3 COMPLIANCE AND REPUTATION RISKS

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.

RISK MANAGEMENT STRATEGY

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. Compliance monitoring in coordination with business units
8. Keep abreast with emerging laws and regulations affecting mining and power industries.

STRATEGIC RISKS

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.

RISK MANAGEMENT STRATEGY

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 during construction phase of power plant expansion project
5. Limit Parent guarantee to its equity share in the project
6. Fund through Project Financing

5 PEOPLE AND TALENT RISKS

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

RISK MANAGEMENT STRATEGY

1. Implement the 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

OPERATIONAL AND SAFETY RISKS ARE OUR TOPMOST PRIORITIES.

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.

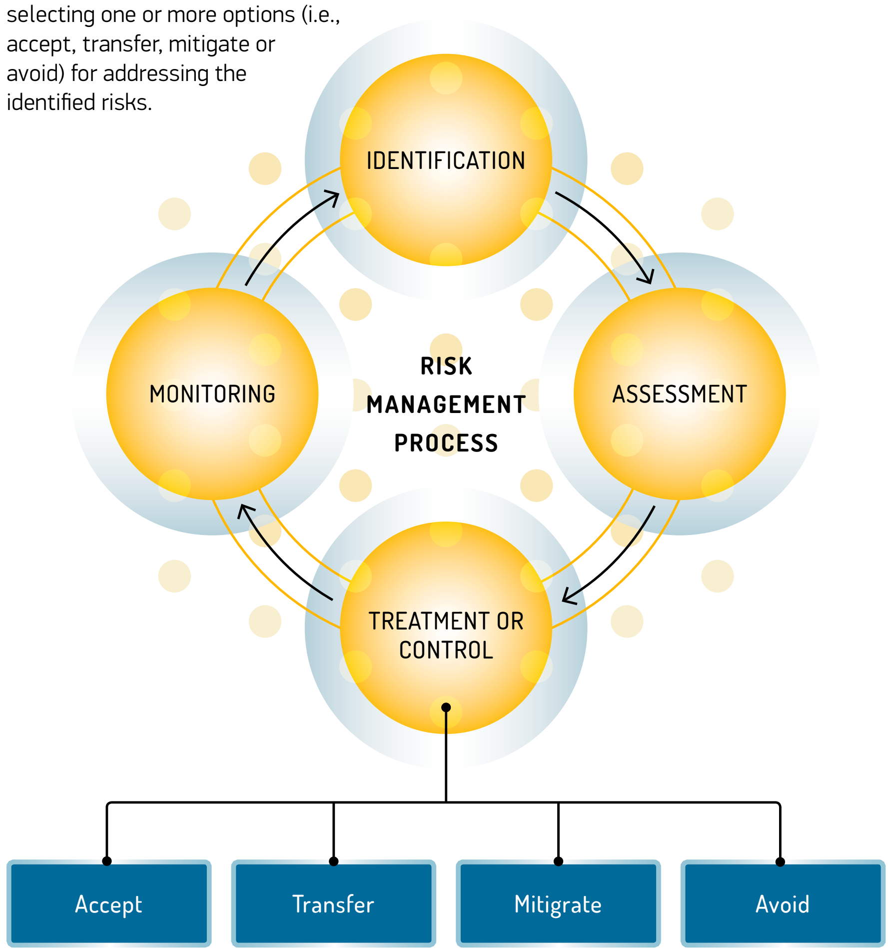
To identify and assess our risks, department heads regularly evaluate our business risks, which are then summarized and reported annually to the Audit Committee and the Board of Directors. To enhance oversight and exemplify the criticality of the risk management function, our Board approved the creation of a separate Board-level Risk Committee and Risk Charter on March 6, 2015. A separate Risk Advisory Department was created to facilitate risk monitoring and reporting, and provide consulting services, among others.

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 to 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
It is not separate from our organizational processes. It is part of strategic planning, project management and change management processes.

PART OF DECISION-MAKING
We prioritize actions and make better, more risk-informed choices with risk/reward trade-offs.

TRANSPARENT
There must be continuous communication of risks and their interdependencies in cross-functional areas.

EXPLICIT IN ADDRESSING UNCERTAINTY
It explicitly addresses uncertainty, taking into account the nature and management of a particular risk.

DYNAMIC
It is dynamic and responsive to change brought about by external and internal events/developments, knowledge change, etc.

CONTINUALLY IMPROVING
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.

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 to the Risk Committee and Audit Committee to ensure 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 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 Auditors, which focuses on risk ownership, controls, compliance and assurance activities. Our Audit and Risk Committee assists the Board in risk management oversight to ensure 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.

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.

With the publication of ISO 9001:2015 Quality Management Systems (superseding the ISO 9001:2008) on September 2015, Our Company has already been laying down the foundation which gives more emphasis on 'Risk-Based' thinking approach as an integrated component of the quality management system.

Our subsidiary, SEM-Calaca Power Corporation's power generation activity has been re-certified as conforming to the requirements of ISO 9001:2008 on Quality Management System.

Business Continuity Management System

The Company's BCMS aims to ensure early business recovery and continuity of critical services in the event of a disruption, whether anticipated or unplanned, that might be, or could lead to a business loss, emergency or crisis. Its holistic framework is set in accordance with ISO 22301:2012 Societal Security – BCMS – Requirements, including business impact analysis, risk assessment and risk treatment action plans. Its crisis management and business continuity processes are focused toward building organizational resilience with the capability for an effective response to safeguard the interests of the various stakeholders.

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

The Company has implemented security solutions and upgraded network appliances to protect critical information resources as part of its risk management of IT vulnerabilities from potential malicious threats.

The Company has implemented access controls in place to ensure data and systems integrity. The Company maintains two back-up servers, one at a designated Disaster Recovery "Cold Site" and another in 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.

CORPORATE SUSTAINABILITY AND **RESPONSIBILITY**

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.

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REINFORCING SAFETY

Safety is an imperative in the way we do business.

Our Board and Management commit to strengthening a safety ownership culture that shall be matched with a strong safety management system.

Our Safety Strategy

Safety performance is a material issue among our stakeholders. Our safety strategy revolves around developing a strong relationship between a resilient operating safety culture, safety leadership and management systems. Safety risks are addressed with focus on prevention and zero tolerance for fatality.

Our coal mining operation has been in conformance to OHSAS 18001:2007 on Occupational Health and Safety Management System since 2008. Our Power subsidiaries are working towards their certification to the same international standard within the next two years.

Mining Safety

In 2015, we reinforced safety culture and ownership through safety tool box meetings, increased safety patrol inspection and activities, safety audits and enforcement of safety ticket violations to ensure involvement at all levels. Safety trainings for leaders and a contractors safety management program are among our action plans to reaffirm safety in the way we do business.

We are committed in our safety journey towards a safety maturity level of proactiveness and resilience with the end goal of preventing incidents before they occur. We have assessed our level of maturity against industry based safety management standards and are working with stronger focus on continual improvement and effectiveness of our safety management systems.

Safety Remediation

We incurred a major safety setback with the collapse of a wall in our Panian open pit mine that resulted to nine (9) fatalities on July 17, 2015. We engaged with the concerned government agencies and third party geotechnical consultant, Dr. Arthur Saldivar-Sali of Geotecnica Corporation to strengthen our safety management system. We redesigned our mining safety structure, upgraded mining protocols in pit geometry and ground water management, invested in technology systems and intensified safety trainings.

Power Safety

Occupational safety and health of our Power employees, workforce and plant visitors remain our top priority.

With continual improvement in safety management system, we achieved significant progress in our safety performance during the year. Total Reportable Non-Disabling Injuries / Illnesses was maintained in single-digit numbers, with all incidents thoroughly investigated and appropriate controls implemented. No Lost Time Accident was recorded, i.e. Zero Accident Frequency Rate. We also achieved zero fatality in 2015.

Continuous behavioral-based safety trainings we enforce a positive safety culture among our employees. Employee intervention over any unsafe act is promptly carried out while corrective action is initiated upon observation of an unsafe condition.

POWER PLANT SAFETY PROGRAMS

- Monthly ESH committee meeting
- Lockout / Tag out training for operations
- Fire safety training for support personnel
- Workplace safety inspection program
- Daily tool box meetings
- Behavioral based safety training
- Fire and earthquake drills
- First aider training
- Safety orientation

MINING SAFETY REMEDIATION PROGRAM

STRENGTHENING ORGANIZATION STRUCTURE
With re-defined clear authorities, ownership and accountability for safety across all levels

PIT SAFETY MANNING
With additional personnel in affected mining departments, totalling 207, previously 147

UPGRADED MINING PROTOCOLS

- Pit geometry re-established jointly with Department of Energy and Geotecnica Corp :
  - a. Overall slope and bench slope parameters and safety factor for in-situ and backfill materials
  - b. Buffer zone for every three benches at 30 m high and less than 30 m wide
- Ground water management – with additional dewatering wells placement, piezometer monitoring and installation of weep holes where required
- Construction of drainage canals – to intercept and direct water movement

PIT WALL MONITORING

- Robotic Total Station - with 122 Prisms currently installed every 100 m at every other bench, and additional prisms as required by radar data; with established criteria for in-situ and backfill and action program for emergency
- 24/7 Slope Stability Radar system – with established criteria and action program for emergency/ landslide preparedness

SAFETY TRAINING PROGRAM
Intensified safety trainings and ownership culture building

OUR MINING SAFETY PERFORMANCE

	2015	2014
No. of Non-Lost time Accidents, Non-Fatal	59	53
No. of Lost time Accidents, Non-Fatal	0	0
No. of Lost time Accidents, Fatal	9*	0
Lost Work Days	54,000	0
Total Manhours Worked	9,010,085.00	6,629,991.5
Lost Time Injury Rate or Frequency Rate	1.0	0
Severity Rate	5993.28	0

* from July 17, 2015 mine pit incident.

OUR POWER SAFETY PERFORMANCE

	2015	2014
No. of Non-Lost time Accidents, Non-Fatal	4	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	843,879.86	628,543.2
Lost Time Injury Rate or Frequency Rate	0	1.55
Severity Rate	0	9,341.92

2015
EMERGENCY PREPAREDNESS AND RESPONSE TRAINING AND DRILL ACTIVITIES

LOSS CONTROL MANAGEMENT

LOCATION	INCLUSIVE DATES
Plant Site	December 8-11, 2015

LANDSLIDE DRILL

Participants are mine pit personnel, particularly the mine pit team responders/ rescuers

Bandaging and Splinting, Personnel Injury

Integrated with Earthquake and Fire Training and Drill

The Safety Inspectors conduct training to drivers in the pit area.

The Mine Site Medical Team conducts monthly Basic Life Support Training which covers bandaging, splinting personnel injury, man's carry, foreign airway obstruction management, rescue breathing and CPR.

LOCATION	INCLUSIVE DATES
Mine Site	December 6, 2015

EMERGENCY PREPAREDNESS AND FIREFIGHTING

We conduct EPR training and drill in every department for Fire and Earthquakes, it covers the following: lecture, demonstration and drill.

- Lecture includes power point presentation of the procedure and evacuation plan of the corresponding emergency preparedness and response.
- Demonstration is performing proper operation of firefighting using the fire extinguisher (all departments), fire hose and nozzle (Power plant) and application of bandaging, splinting and man's carry.
- Simulation drill starts by giving them a "scene" in which the participants can apply the firefighting, bandaging, splinting, man's carry and building evacuation. It begins with occurrence of earthquake followed by occurrence of fire.

After the drill, the participants are assessed by their response against the EPR procedures and proper and timely performance of the firefighting, bandaging, splinting, man's carry and building evacuation activities.

LOCATION	INCLUSIVE DATES
Plant Site	May 5-8, 12-15, 2015

FIRE EVACUATION, FIREFIGHTING

Integrated with Earthquake and Fire Training and Drill

LOCATION	INCLUSIVE DATES
Plant Site	May 5-8, 12-15, 2015
Mine Site	April 24-26, 2015

BANDAGING AND SPLINTING, PERSONNEL INJURY

Integrated with Earthquake and Fire Training and Drill

The Safety Inspectors conduct training to drivers in the pit area.

The Mine Site Medical Team conducts monthly Basic Life Support Training which covers bandaging, splinting personnel injury, man's carry, foreign airway obstruction management, rescue breathing and CPR.

LOCATION	INCLUSIVE DATES
Plant Site	March 5-8,12-15, 2015
Mine Site	Feb 21-23, Apr 23-25 May 21-23, Jun 25,26,27, August 20,21,22, September 24,25,26, October 22,23,24 and November 19-21, 2015

BUILDING EVACUATION, FIRE DRILL

Integrated with Earthquake and Fire Training and Drill

LOCATION	INCLUSIVE DATES
Plant Site	June 20, 2016 and October 20, 2016
Mine Site	May 27-29, June 2-5 and November 14, 2015

BASIC ELECTRICAL SAFETY TRAINING

Participants are electrical engineers and electricians with job hazards on electrocution

LOCATION	INCLUSIVE DATES
Mine Site	Feb 9, March 5, April 15, 20, May 12,20, June 16, 2015

FIRE DRILL, EARTHQUAKE DRILL, FIRST AID

Integrated with Earthquake and Fire Training and Drill

LOCATION	INCLUSIVE DATES
Plant Site	May 5-8, 12-15, 2015
Corporate Office	March 27 and July 24, 2015

FIRE SAFETY

LOCATION	INCLUSIVE DATES
Mine Site	Feb 13, April 25, 28, May 16, June 24, Sept 23, Oct 17,24, Dec 28,29, 2015

FIRE DRILL ON EQUIPMENT VEHICLE

LOCATION	INCLUSIVE DATES
Plant Site	February 13-14, 2015

GENERAL SAFETY AND HAZARD ASSESSMENT

Scaffolding safety, Aspect/Hazard Identification, Impact/Risk Assessment and Determination of Controls (AHIIRADC)

LOCATION	INCLUSIVE DATES
Plan Site	June 11, 19-13, Aug 12, 20, 24 and 26, 2015

GENERAL SAFETY ORIENTATION

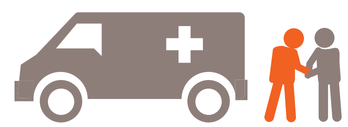
Standard Operation Procedures (Mobile, Electrical, MTSO and Mechanical)

LOCATION	INCLUSIVE DATES
Mine Site	Sept 19, 22 and 23, 2015

SAFETY ORIENTATION

5S Orientation, EHS Management Awareness and Fire Safety

LOCATION	INCLUSIVE DATES
Mine Site	Oct 13, 19 17, 23 and 24, Dec 23, 24, 26, 28, 29 and 30, 2015



SUSTAINING PEOPLE ENGAGEMENT

We adopt an integrated and strategic approach to optimize our human resource capital.

Our people are the backbone of our business. We aim towards building a high performing workforce through a holistic framework that addresses their welfare, development and empowerment.

Our Human Resources Strategy

Integrated in our human resources (HR) strategy is the development and creation of an optimal workforce that contributes to superior organizational performance. We support business growth through the alignment of our human resources programs that address the key drivers of attraction, retention, performance and sustainable employee engagement.

We adopted a shared services strategy to optimize our organizational structure for a sustainable and cost-efficient synergy of our support services and functions. We designed and implemented the roll-out of our shared services in the human resources, general administration and safety functions, as well as the consolidation of certain technical services in our Power segment. The synergy of multidisciplinary expertise in engineering and process functions is aimed towards improving plant processes through sharing information and consolidating expertise.

Code of Conduct

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

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, suspension and/or termination 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.

Subsidiary Good Governance

We have cascaded down to our Power subsidiaries our Code of Corporate Governance as their overall corporate governance framework.

Good governance initiatives and policies such as the Code of Conduct and Business Ethics, Business Interest Disclosure, Related Party Transaction Policy and ERM Policy, among others, are implemented to ensure a consistent culture of fairness, integrity, transparency, accountability and performance across the organization.

Culture

We firmly believe that ethical and professional conduct as the groundwork of 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.

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.

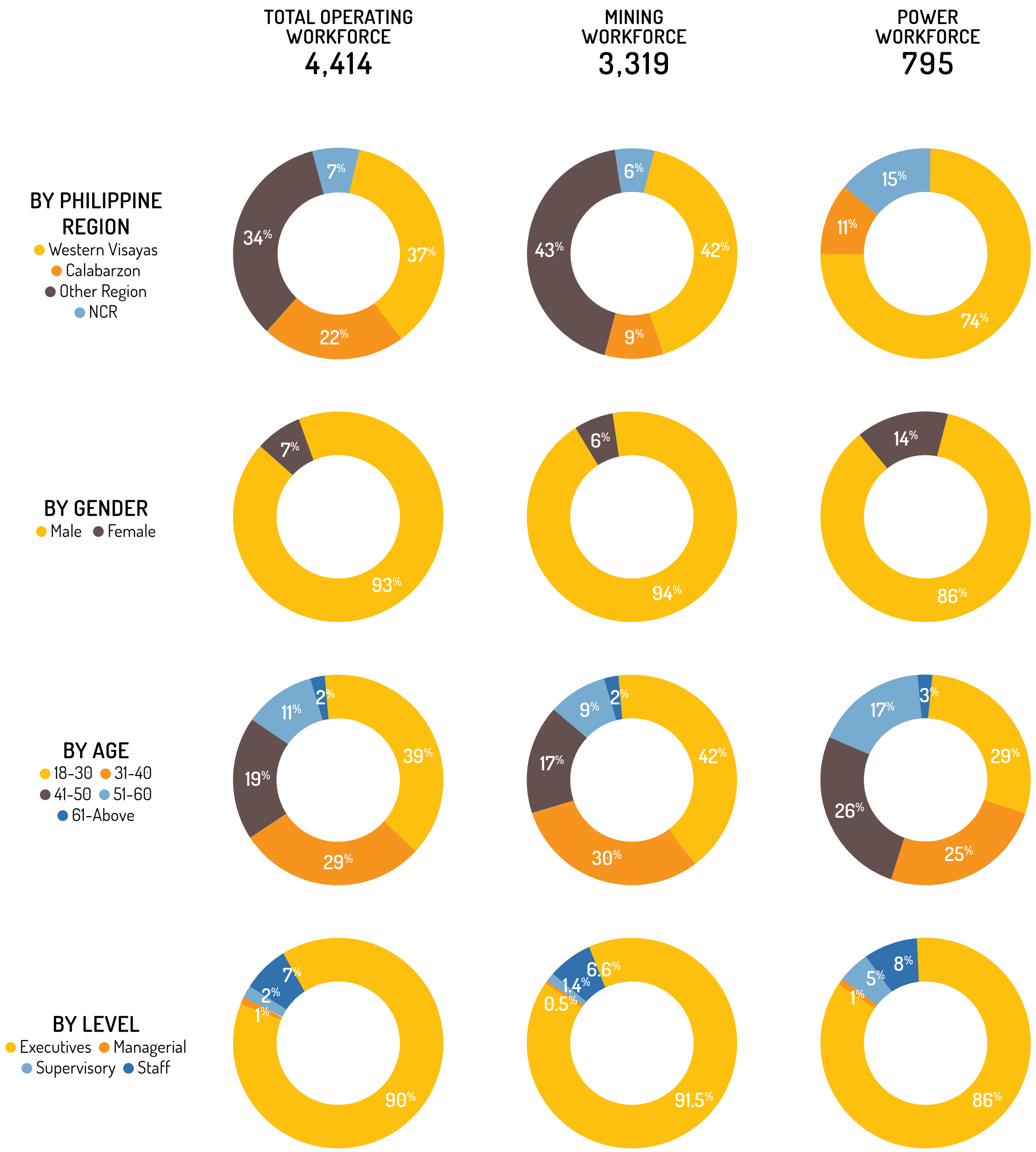
Our remuneration policy promotes a competency-based performance pay regardless of gender.

Performance and Rewards Management

We adopt an integrated strategy for managing talent and rewards. It is our remuneration philosophy to closely link

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 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.



0% Child Labor and Forced Labor Violation Complaints overall compensation with individual performance, company performance and shareholder value.

Our core values of teamwork, excellence, integrity and professionalism are embedded in a performance management framework that drives and rewards employees who perform to the highest ethical and quality standards.

Regular performance appraisal ensures that talent and contributions to the Company are recognized and rewarded accordingly. Behavioral Key Performance Indicators on team effectiveness, ethics, governance and commitment to Environment, Safety and Health (ESH) are integrated in our work performance process.

We continue to benchmark our talent management and rewards strategies against those of our peers with the aim of improving employee productivity and engagement.

Talent Development

We align our development programs with the knowledge, skills, competencies and abilities of our workforce to address specific organizational targets and human resource development objectives.

Leadership Continuity

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

We have Executive Succession Planning and Leadership Programs that aim to identify and develop high potentials, with the end goal of their readiness to assume senior roles in the organization.

Our Corporate-Wide Individual Development Plan embarks on coaching and mentoring of managers and supervisors as a learning and development strategy to maximize leadership training effectiveness. We believe that formal learning benefit is maximized when applied directly to practical experience and integrated in the work environment.

Occupational Health and Wellness

Our commitment to employee health is supported by a holistic wellness program that emphasizes well-being and work-life balance. It covers annual physical examinations, fitness activities, sports events, recreational programs, as well as health awareness and information campaigns, among others.

Our Mining occupational health framework is in conformance with OHSAS 180001:2007 on Occupational Health and Safety Management System. We are working towards a certification of the same international standards for our Power subsidiaries within the next year.

Our Minesite infirmary, medical team and external health service partners provide full time occupational healthcare, emergency care and non-work related medical conditions for our employees, contracted workers and/or dependents.

We conducted a census of the main health issues of our Minesite workforce to identify potential occupational illnesses and medical concerns. We aim to develop or redesign our health programs with proactive intervention and effectiveness monitoring.

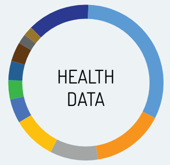
Employee Benefits

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 – two months	Free Housing – Mine Site	
Anti-Violence Against Women and Children – 10 days	Free Power & Water utilities – Mine Site	
Retirement Benefit (RA 7641) – Your Company has a funded, noncontributory defined benefit plan.	Free Education (K to 12) for dependents – Mine Site	
	Subsidized medicine cost in Company hospital pharmacy – Mine Site	
	Dormitory for Power Plant employees residing more than 36 kms. away from the Plant	

2015 MINESITE WORKFORCE HEALTH ISSUES



32% DENTAL

15% HYPERTENSION

10% RESPIRATORY & UPPER RESPIRATORY ILLNESSES

9% SUBSTANCE DEPENDENCE – ALCOHOL, TOBACCO

5% URINARY TRACT INFECTION

4% GASTRO-RELATED ILLNESSES

4% EYE REFRACTION

4% VIRAL INFECTION

2% DIABETES

2% TUBERCULOSIS

13% OTHERS – HEMATURIA, OBESITY, ETC.

MINING WORKFORCE 2015 TRAINING HOURS PER CATEGORY PER WORKFORCE LEVEL

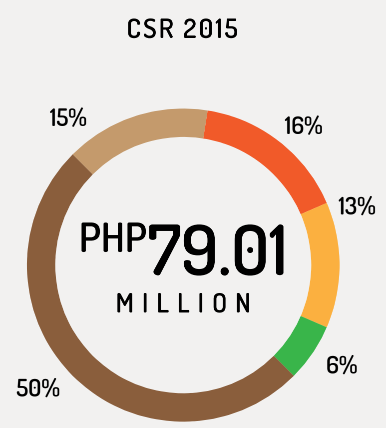
Training Category	Executives	Managers	Supervisors	Staff	Total
Environment, Safety and Health	40	1,133	3,462	22,263	26,898
Leadership	120	188	1,237	0	1,545
Quality Management System	48	672	1,196	4,087	6,003
Professional & Technical Development	170	279	184	2,342	2,975
Behavioral	-	-	24	1,131	1,155
No. of Training Hours	378	2,272	6,103	29,823	38,576
Training Hours per Category %	1%	6%	16%	77%	100%
Number of Mining Workforce	15	48	218	3,038	3,319
Average training hours per level	25	47	28	10	12
Total 2015 Training Spend					**P2,740,262**
Average Training Spend per Mining Workforce					**P826**

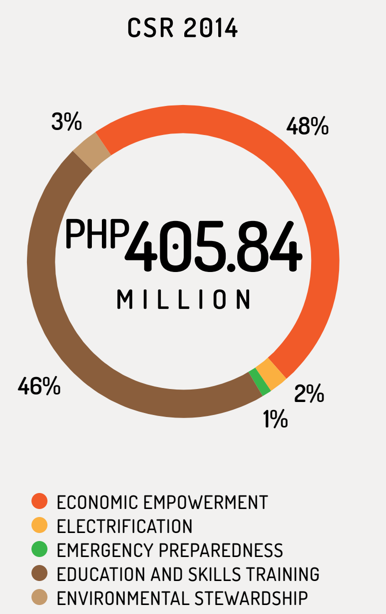
POWER WORKFORCE 2015 TRAINING HOURS PER CATEGORY PER WORKFORCE LEVEL

Training Category	Executives	Managers	Supervisors	Staff	Total
Professional & Technical Development	6	878	2,547	10,555	13,986
Leadership	24	463	1,279	320	2,086
Quality Management System	42	410	413	703	1,568
Environment, Safety and Health	-	208	322	2,360	2,890
Behavioral	-	52	152	1,511	1,715
No. of Training Hours	72	2,011	4,713	15,449	22,245
Training Hours per Category %	0%	9%	21%	70%	100%
Number of Power Workforce	5	41	66	683	795
Average training hours per level	14	49	71	23	28
Total 2015 Training Spend					**P3,940,889**
Average Training Cost per Power Workforce					**P4,957**

CREATING SHARED VALUE

We commit to pursue an optimum balance of operational excellence with safety and our social and environmental goals.





Note: 2014 CSR includes cost of major infastructures i.e. public market, roads, and sports complex amounting to Php327.4 million

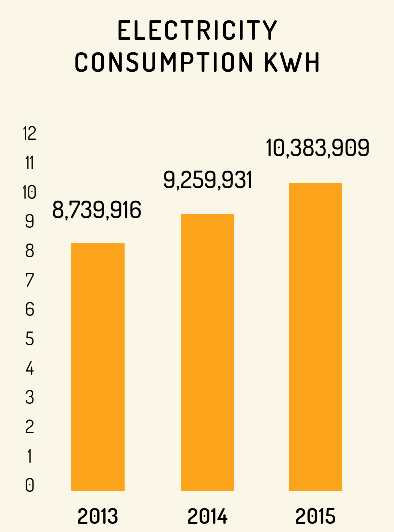
ELECTRIFICATION

Semirara Mining and Power Corporation has at least 34 megawatts of available power on Semirara Island. Its base load relies on a 15MW coal-fired power plant that was commissioned in late 2014 and that uses the modern Circulating Fluidized Bed (CFB) technology.

The two (2) x 7.5 MW coal-fired power plant, one (1) x 4.2 MW Mirrless Blackstone and one (1) 5.7 MW Wartsila bunker engines provide back-up power on the island.

In 1999, the company installed power distribution lines and worked with the Antique Electric Cooperative (ANTECO) to provide electricity to the communities of Semirara Island. Prior to that, only the mine site and the employees' village had electricity.

The company gives each employee's household free power allocation of 300 kwh per month while excess usage is paid through salary deduction. The island residents also enjoy Php200 free electric utility, a benefit the local government of Barangay Semirara has been providing its residents.



Power costs a consumer on the island about Php5.60/kWh when Semirara Mining and Power Corporation spends about Php5.04 to generate 1kW of electricity from the coal-fired power plants and its backup diesel generator. ANTECO pays the company Php2.50/kWh it is supplied.

Power generated for the use of company housing facilities and the rest of the communities on the island reached 10,383,909 kwh in 2015.

ECONOMIC EMPOWERMENT

Employment

According to the 2015 survey of the barangays on the island, population on the island has reached almost 18,000, which is 10,000 more than the 8,313 in the 2007 data of the National Statistics Office.

Of the 3,237 of Semirara Mining Corporation's workforce, 52% came from the islands of Semirara and Caluya, Antique Province. Payroll at the mine site alone reached Php895.85 million in 2015.

As Filipinos are still on extended family arrangements, one can say that double or triple of 3,237 depend on Semirara Mining Corporation for salaries and wages, employment benefits, and livelihood and development programs.

Minesite employees of the company enjoy free housing and support for water and power utilities, free primary and secondary education for their dependents at the Divine Word School of Semirara Island, Inc. (DWSSII), and transportation to and from place of work. Health and well-being programs no longer just target employees but their dependents as well.

Other contribution to the island economy

The company hires local contractors to build and maintain its buildings, roads, housing facilities, sports and recreation

facilities, and to fabricate and repair equipment. From 2008 to 2015, total amount paid these contractors reached Php511 million.

Food services paid for by the company in 2008 to 2015 reached Php26.4 million.

Improved sea linkage with Mindoro Oriental

The company acquired a 200-passenger boat to facilitate access of its employees to services not available on Semirara Island. It started plying the Bulalacao, Mindoro Oriental - Semirara Island, Caluya route in December 2015.

Livelihood and food security in Semirara

In 1999 up to now, the company organizes and supports fishing organizations to provide livelihood to island residents, especially those that had been affected by mining operations.

The company continues to support deep-sea fishing operations of associations it helped organize, Semirara Fishing Association (SEMFA) and Community Relations (ComRel) fishing groups.

Catch by these associations that the company is supporting totaled 135,415 kilograms for SEMFA, and 13,512 kilograms for the ComRel fishermen in 2015.

Other infrastructure support to communities

In March 2015, the company started to develop a park adjacent to the Semirara Plaza in Bgy. Semirara.

In September, construction of nine (9) housing units for indigent families in Sitio Villaresis commenced. The company supplied the construction materials for the project while the Caluya Municipal Government shoulders the cost of labor.

The company also continued to fulfill its commitment to households in Sitio Sabang of Bgy. Tinogboc affected by the local government's resettlement program. By the end of 2015, it has supplied all construction materials needed to build at least 92 houses. 68 of these houses have been completed, and 64 of which are now occupied.

EDUCATION AND SKILLS TRAINING

Semirara Mining and Power Corporation sends the dependents of its workers to Divine Word School of Semirara Island Inc. (DWSSII), paying for tuition and fees, and providing and maintaining facilities and equipment for quality learning.

For SY 2015-2016, tuition and fees at DWSSII cost more than Php22 million, while improvements and repairs cost Php858,062.

Students of DWSII and Semirara National High School graduating at the top of their class are given college scholarships, attending classes in Metro Manila and other major cities of the Philippines.

The company supported 109 scholars in 2015. The scholarships include tuition and fees and, for students requiring further support, monthly allowances. Workers' dependents who are studying in Mindoro Occidental are given housing support.

As part of its support to the resettlement of families in Sitio Poocan of Bgy. Tinogboc, the company also donated the materials for the construction of a six-classroom building intended for use by SY 2016-2017.

Skills Training

Semirara Training Center, Inc. (STCI) was established as a non-stock corporation in 2006 to support the manpower requirements of Semirara Mining Corporation and to allow locals and workers' dependents opportunities to acquire marketable skills.

STCI, a TESDA-accredited technical and vocational school, offers certificate courses on automotive servicing (NCII), industrial electricity, machining (NCII), metal welding technology (NCI), mobile equipment technology, and industrial equipment technology.

Applicants who are accepted into STCI receive free skills training and meal allowance for the duration of their course. Performing students receive apprenticeship and job offers when there are positions that need filling up in the company.

In 2015, it registered 172 students, their tuition and fees reaching more than Php10 million. The center also upgraded training equipment with the acquisition of five (5) new lathe machines and one (1) radial drill machine that cost a total of Php5.85 million.

STCI is now working with the Divine Word School of Semirara Island, Inc. (DWSSII) to make DWSSII K-12 ready. STCI's trainors will augment the Senior High School teaching requirements for the Science, Technology, Engineering and Mathematics (STEM) academic track for SY 2016-2017.

Since training activities started in 2000 until end-December 2015, STCI has had 1,041 graduates, of which, 517 are employed with the company.

Medical and health services

Semirara Mining and Power Corporation operates a primary care facility on Semirara Island that is classified as an infirmary per the Department of Health's Administrative Order 2012-0012.

The infirmary operated in 2015 with the support of six (6) medical doctors, one (1) pathologist, five (5) dentists, a medical technologist, a pharmacist and a pharmacy assistant, two (2) x-ray technicians, seven (7) nurses, a midwife, and two (2) nurse aides.

In March, it started operating an ultrasound clinic at least once a month, serving a total of 108 patients.

FREE CONSULTATIONS

PATIENTS	2014	2015
Employees	3,321	4,073
Dependents	2,164	4,419
Community members	5,342	4,679
TOTAL	10,827	13,171

The medical facility has also purchased a new digital x-ray machine, and improved operations and services on Semirara Island by signing up a radiologist, and an x-ray technologist. The new equipment has performed 1,610 procedures, serving 1,342 persons.

The infirmary launched the use of iHospital, a company-developed application to digitally manage medical and health records, and to improve tracking of its services.

The facility's medical director and head nurse attended a training and seminar on the Tuberculosis Directly-Observed Treatment Short Course (TB-DOTS) initiated by the Philippine Coalition Against Tuberculosis. The training led to the accreditation of the company's infirmary as a TB-DOTS facility, a requirement for PhilHealth renewal of medical facilities in the country.

The facility's personnel trained a total of 122 company employees on Basic Life Support (BLS) in February to December 2015. They continue to provide free primary medical services to company employees and their dependents, and local residents.

In 2015, 1,613 of employees completed the mandated annual medical and dental check ups, 98% accomplishment of physical and medical examinations of 172 students of the Semirara Training Center, Inc. (STCI), and 881 students (94.52%) of Divine Word School of Semirara Island, Inc. (DWSSII).

The infirmary supports community health, logging 13,171 medical and 2,692 dental consultations, 412 physical and pre-employment examinations and 97 successful delivery of infants in 2015.

ENVIRONMENTAL STEWARDSHIP

Environmental Monitoring

The multi-sectoral monitoring team (MMT) for the Panian Mine project that was organized to monitor the company's performance in terms of its approved Environment Management Plan, the conditions set by its Environmental Compliance Certificate and permits granted by the various regulating government agencies, visited the company's facilities on Semirara Island twice in 2014.

Panian Mine MMT Activities 2015

2015 MONITORING PERIOD	ACTIVITY DATES	AREAS VISITED
1ST & 2nd Quarter	03 - 05 June	1. Panian Pit 2. Coal Washing Plant and Stockpile 3. East Panian Expansion Project 4. Siltation Pond/ Kawa-kawa 5. New Coal Fired Power Plant 6. Elevation 90 and 100 7. So. Villaresis 8. Waffle Building
3rd Quarter	25 - 27 Nov	1. Panian Pit 2. Coal Washing Plant and Stockpile 3. East Panian Expansion Project 4. Motorpool 5. Septic Tank under Wind Breaker 6. Semirara Pier 7. Elevation 90 and 100
4th Quarter		scheduled for the 1st Quarter of 2016

2015 FRESHWATER MONITORING RESULTS

STATIONS	QUARTER	DATE	Tot. Hg mg/L	Tot. As mg/L	Tot. Cd mg/L	Tot. Pb mg/L	Tot. Cr mg/L	Tot. Cu mg/L	Tot. Mn mg/L	Oil & Grease mg/L	BOD mg/L	COD mg/L	Tot. Coliform MPN/ 100mL	TSS mg/L	DO mg/L	Temp °C	pH at 25 °C
1. Bujo-Buaya Creek	Q1*	10 Mar	<0.001	<0.001	<0.003	<0.01	<0.01	<0.05	2.47	Not analyzed	Not analyzed	Not analyzed	Not analyzed	1,115	Not analyzed	28.5	7.45
	Q2**	5 May	<0.001	<0.001	<0.003	<0.01	<0.01	<0.05	0.63	Not analyzed	Not analyzed	Not analyzed	Not analyzed	57.0	Not analyzed	Not analyzed	Not analyzed
	Q3**	02 Sept	<0.001	<0.001	0.02	<0.05	<0.1	<0.05	4.05	0.8	3.2	25.8	Not analyzed	38.0	Not analyzed	32.4	8.07
	Q4***	27 Oct	<0.0001	<0.001	<0.003	<0.01	<0.02	<0.005	2.721	<1.0	<1.0	16	6.1	3.0	Not analyzed	34.5	8.05
2. Kaburian Creek	Q1*	10 Mar	<0.001	0.001	<0.003	<0.01	<0.01	<0.05	<0.05	Not analyzed	Not analyzed	Not analyzed	Not analyzed	60	Not analyzed	26.5	7.90
	Q2**	5 May	<0.001	<0.001	<0.003	<0.01	<0.01	<0.05	<0.05	Not analyzed	Not analyzed	Not analyzed	Not analyzed	1.0	Not analyzed	30.0	7.96
	Q3**	02 Sept	<0.001	0.0011	<0.01	<0.05	<0.1	<0.05	<0.05	0.5	5.2	10.7	Not analyzed	12.0	Not analyzed	32.3	7.70
	Q4***	27 Oct	<0.0001	<0.001	<0.003	<0.01	<0.02	<0.005	<0.003	<1.0	<1.0	16	11	3.0	Not analyzed	31.1	7.82
3. Iluay Creek	Q1*	10 Mar	<0.001	0.001	<0.003	<0.01	<0.01	<0.05	<0.05	Not analyzed	Not analyzed	Not analyzed	Not analyzed	0	7.27	29.5	8.06
	Q2**	5 May	<0.001	<0.001	<0.003	<0.01	<0.01	<0.05	<0.05	Not analyzed	Not analyzed	Not analyzed	Not analyzed	1.0	Not analyzed	30.0	8.00
	Q3**	02 Sept	<0.001	0.0021	<0.01	<0.05	<0.1	<0.05	<0.05	<0.5	1.5	8.6	Not analyzed	5.0	5.0	28.0	8.14
	Q4***	27 Oct	<0.0001	<0.001	<0.003	<0.01	<0.02	<0.005	<0.003	<1.0	<1.0	9	0.0092	1.0	Not analyzed	28.5	7.91
DAO 34: Class C			0.002	0.05	0.01	0.05	0.05	0.05	No Std. Reqt.	2.0	7.0	No Std. Reqt.	5,000	≤30mg/l increase	≥ 5.0	Max. rise of 3°C	6.5 - 8.5

* - self-monitoring ** - by SGS Philippines, Inc., Makati City *** - by Ostrea Mineral Laboratories, Inc., Biñan, Laguna

The MMT is composed of the following: the Department of Environment and Natural Resources' (DENR) Regional and Provincial Offices, Environmental Management Bureau, the Office of the Municipal Mayor of Caluya, three barangays of Semirara Island, a representative from DOH- Antique, and various local stakeholder organizations representing the academic and religious sectors, fishing associations, landowners, farmers, women, senior citizens, and market vendors.

Fresh water monitoring

Freshwater quality monitoring was conducted quarterly in 2015 in compliance with the provisions of the Environmental Compliance Certificate (ECC) for Panian Mine.

As the company finds ways to continue improving its environmental monitoring and reporting and its overall environmental performance, the analysis of samples taken at various sites were performed by third party environmental testing organizations to improve testing parameters and accuracy of measurements starting in the second quarter of 2015. Please refer to the results of the water testing in the following charts.

Sea water monitoring

Sea water sampling and analysis were conducted at nine (9) sites within Barangay Semirara in 2015. As with the analysis of freshwater samples, the second and third quarter analyses were done by SGS Philippines, Inc., while fourth quarter samples were sent to Ostrea Mineral Laboratories, Inc.

Water management

Sanglay and Casay freshwater impoundment in Barangay Semirara remain as main sources of water for both industrial and domestic use in 2015, but more sources of freshwater were developed and tapped in anticipation of the effects on the island of the *El Niño* phenomenon.

Water for domestic use, especially water from Bunlao Spring in Bgy. Alegria, feeds into a Php40 million filtration plant that was installed in June 2012. The use of reverse osmosis technology at the refilling station started in October 2015 which improved the quality of potable water available for island residents.

Daily consumption of domestic water in 2015 was at an average of 2,426 cubic meters.

2015 SEAWATER MONITORING RESULTS

LOCATION	Monitoring Period	Tot. Hg mg/L	Tot. As mg/L	Tot. Cd mg/L	Tot. Pb mg/L	Tot. Cr mg/L	Tot. Cu mg/L	Tot. Mn mg/L	Oil & Grease mg/L	TSS mg/L	DO mg/L	Temp °C	pH at 25 °C
1. Suja	Q1: 27 Apr	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling
	Q2: 06 May	<0.001	0.0025	<0.003	<0.01	<0.01	0.09	0.08	<0.5	15.0	9.0	31.5	8.16
	Q3: 15 Aug	<0.001	0.0015	<0.003	<0.01	<0.01	0.0015	<0.01	0.6	8.5	5.0	30.3	8.18
	Q4: 20 Oct	<0.0001	<0.001	<0.003	<0.01	<0.02	<0.005	<0.003	<1.0	2.0	Not analyzed	28.7	8.17
2. Shiploader	Q1: 27 Apr	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling
	Q2: 06 May	<0.001	0.0025	<0.003	<0.01	<0.01	0.06	0.07	1.3	19.0	8.0	31.0	7.97
	Q3: 15 Aug	<0.001	0.0013	<0.003	<0.01	<0.01	<0.01	<0.01	0.6	3.0	6.0	30.3	8.20
	Q4: 20 Oct	<0.0001	<0.001	<0.003	<0.01	<0.02	<0.005	<0.003	<1.0	<1.0	Not analyzed	28.7	8.20
3. Capis -Capis	Q1: 27 Apr	<0.0001	<0.001	<0.003	<0.01	<0.02	Not analyzed	Not analyzed	<1.0	<1.0	Not analyzed	Not analyzed	Not analyzed
	Q2: 06 May	<0.001	0.0026	<0.003	<0.01	<0.01	0.09	0.07	1.4	16.0	8.0	31.0	8.14
	Q3: 15 Aug	<0.001	0.0014	<0.003	<0.01	<0.01	<0.01	0.02	0.8	<1.0	5.0	29.9	8.14
	Q4: 20 Oct	<0.0001	<0.001	<0.003	<0.01	<0.02	<0.005	<0.003	<1.0	<1.0	Not analyzed	28.9	8.20
4. Panian 1	Q1: 27 Apr	<0.0001	<0.001	<0.003	<0.01	<0.02	Not analyzed	Not analyzed	<1.0	<1.0	Not analyzed	Not analyzed	Not analyzed
	Q2: 06 May	<0.001	0.0019	<0.003	<0.01	<0.01	0.09	0.07	1.5	19	8.0	31	8.16
	Q3: 15 Aug	<0.001	0.0019	<0.003	<0.01	<0.01	<0.01	<0.01	0.6	11.5	6.0	29.9	8.22
	Q4: 20 Oct	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling
5. Panian 2	Q1: 27 Apr	<0.0001	<0.001	<0.003	<0.01	0.02	Not analyzed	Not analyzed	<1.0	4	Not analyzed	Not analyzed	Not analyzed
	Q2: 06 May	<0.001	0.0035	<0.003	<0.01	<0.01	0.09	0.11	1.8	21.5	8.0	31.5	8.17
	Q3: 15 Aug	<0.001	0.0013	<0.003	<0.01	<0.01	<0.01	<0.01	0.5	11	6.0	29.8	8.21
	Q4: 20 Oct	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling
6. East Dike	Q1: 27 Apr	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling
	Q2: 06 May	<0.001	0.002	<0.003	<0.01	<0.01	0.09	0.07	<0.5	20.5	8.0	30.5	8.2
	Q3: 15 Aug	<0.001	0.0017	<0.003	<0.01	<0.01	<0.01	<0.01	2.1	17.0	Not analyzed	30.0	8.2
	Q4: 20 Oct	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling
7. Palawan	Q1: 27 Apr	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling
	Q2: 06 May	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling
	Q3: 15 Aug	<0.001	0.0029	<0.003	<0.01	<0.01	<0.01	<0.01	1.5	11.5	Not analyzed	29.0	8.21
	Q4: 20 Oct	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling
8. Danlog	Q1: 27 Apr	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling
	Q2: 06 May	<0.001	0.0016	<0.003	<0.01	<0.01	0.09	0.07	1.8	20.5	8.0	30.0	8.18
	Q3: 15 Aug	<0.001	0.0014	<0.003	<0.01	<0.01	<0.01	<0.01	0.8	11.5	Not analyzed	29.5	8.22
	Q4: 20 Oct	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling
9. Banwa	Q1: 27 Apr	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling
	Q2: 06 May	<0.001	0.002	<0.003	<0.01	<0.01	0.09	0.07	0.7	15.5	7.0	30.0	8.19
	Q3: 15 Aug	<0.001	0.0014	<0.003	<0.01	<0.01	<0.01	<0.01	0.5	16	Not analyzed	29.5	8.21
	Q4: 20 Oct	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling	No sampling
DAO 34: Class SC		0.002	0.05	0.01	0.05	0.1	0.05	No Std. Reqt.	3.0	≤30mg/l increase	≥ 5.0	Max. rise of 3°C	6.0-8.5

Note: 1. No sampling - Instances of same quarter that some stations were sampled and some are not because we cannot proceed to the area either its exposed to Hanging Amihan or Hanging Habagat that is causing rough sea condition.

2. Not Analyzed - (1) samples are collected but were not analyzed by Analab especially DO because sample bottles were not appropriate for DO analyses having bubbles in the samples (2) For 3rd party Lab. there are parameters that should be analyzed within 24 hrs such as BOD5 and Total Coliform; if the flight schedule is moved and delayed our samples will not reach our lab on time thus it is the topmost reason of unregular analysis of BOD5 & Total Coliform.reach the lab on time thus it is the topmost reason of unregular analysis of BOD5 & Total Coliform.

THERMAL WASTEWATER MONITORING RESULTS

Indicator	Sampling Station	2015 Q1	Q2	Q3	Q4
Temp	Condenser Intake	32.0	31.0	33.5	28.1
	Old Power Plant Condenser Discharge	36.0	35.5	37.5	32.6
	New Power Plant Condenser Discharge	No sampling	No sampling	39.5	36.4
	Suja Creek	34.0	33.0	37.5	34.6
	RO Neutralization Pit Discharge	No sampling	No sampling	32.5	28.8
pH	Standard Min / Max	6.0 / 9.0			
	Condenser Intake	8.09	8.15	8.13	8.06
	Old Power Plant Condenser Discharge	7.15	8.15	8.12	8.07
	New Power Plant Condenser Discharge	No sampling	No sampling	8.13	8.09
	Suja Creek	8.09	8.15	7.49	8.10
	RO Neutralization Pit Discharge	No sampling	No sampling	8.45	8.20
Conductivity	Standard	No standard requirement			
	Condenser Intake	50,600	51,100	49,800	48,300
	Old Power Plant Condenser Discharge	50,600	50,700	50,700	48,500
	New Power Plant Condenser Discharge	No sampling	No sampling	50,300	48,500
	Suja Creek	50,400	50,900	985	47,600
	RO Neutralization Pit Discharge	No sampling	No sampling	1,038	27,000
DO	Standard Minimum	5.0			
	Condenser Intake	6.36	9.09	Not analyzed	Not analyzed
	Old Power Plant Condenser Discharge	7.27	8.64	Not analyzed	Not analyzed
	New Power Plant Condenser Discharge	No sampling	No sampling	Not analyzed	Not analyzed
	Suja Creek	7.27	7.95	3.0	Not analyzed
	RO Neutralization Pit Discharge	No sampling	No sampling	3.12	Not analyzed
TS	Standard	No standard requirement			
	Condenser Intake	39,130	39,570	37,300	39,293
	Old Power Plant Condenser Discharge	39,610	39,150	37,270	38,449
	New Power Plant Condenser Discharge	No sampling	No sampling	39,220	38,359
	Suja Creek	39,870	39,340	630	37,154
	RO Neutralization Pit Discharge	No sampling	No sampling	732	19,891
TDS	Standard	No standard requirement			
	Condenser Intake	32,100	32,700	31,900	30,900
	Old Power Plant Condenser Discharge	32,300	32,400	32,500	31,100
	New Power Plant Condenser Discharge	No sampling	No sampling	32,000	31,100
	Suja Creek	32,300	32,600	630	30,500
	RO Neutralization Pit Discharge	No sampling	No sampling	665	17,300
TSS	Standard	90			
	Condenser Intake	7,030	45.0	21.5	<1.0
	Old Power Plant Condenser Discharge	7,310	43.0	22.5	2.0
	New Power Plant Condenser Discharge	No sampling	No sampling	18.5	7.0
	Suja Creek	7,570	16.0	28.0	2.0
	RO Neutralization Pit Discharge	No sampling	No sampling	1.5	2.0
Mercury	Standard	0.005			
	Condenser Intake	<0.001	<0.001	<0.001	<0.0001
	Old Power Plant Condenser Discharge	<0.001	<0.001	<0.001	<0.0001
	New Power Plant Condenser Discharge	No sampling	No sampling	<0.001	<0.0001
	Suja Creek	<0.001	<0.001	<0.001	<0.0001
	RO Neutralization Pit Discharge	No sampling	No sampling	<0.001	<0.0001
Arsenic	Standard	0.5			
	Condenser Intake	0.0016	0.0016	0.0012	<0.001
	Old Power Plant Condenser Discharge	0.0012	0.0011	0.0027	<0.001
	New Power Plant Condenser Discharge	No sampling	No sampling	0.0013	<0.001
	Suja Creek	0.0022	<0.0010	0.0014	<0.001
	RO Neutralization Pit Discharge	No sampling	No sampling	0.0029	<0.001

Indicator	Sampling Station	2015 Q1	Q2	Q3	Q4
Cadmium	Standard	0.1			
	Condenser Intake	<0.003	<0.003	<0.003	<0.003
	Old Power Plant Condenser Discharge	<0.003	<0.003	0.109	<0.003
	New Power Plant Condenser Discharge	No sampling	No sampling	<0.003	<0.003
	Suja Creek	<0.003	<0.003	<0.003	<0.003
	RO Neutralization Pit Discharge	No sampling	No sampling	<0.010	<0.003
Lead	Standard	0.5			
	Condenser Intake	<0.01	<0.01	<0.01	<0.01
	Old Power Plant Condenser Discharge	<0.01	<0.01	<0.05	<0.01
	New Power Plant Condenser Discharge	No sampling	No sampling	<0.01	<0.01
	Suja Creek	<0.01	<0.01	<0.01	<0.01
	RO Neutralization Pit Discharge	No sampling	No sampling	<0.05	<0.01
Chromium	Standard	0.2			
	Condenser Intake	<0.01	<0.01	<0.01	<0.02
	Old Power Plant Condenser Discharge	<0.01	<0.01	<0.1	<0.02
	New Power Plant Condenser Discharge	No sampling	No sampling	<0.01	<0.02
	Suja Creek	<0.01	<0.01	<0.01	<0.02
	RO Neutralization Pit Discharge	No sampling	No sampling	<0.1	<0.02
Copper	Standard	No standard requirement			
	Condenser Intake	Not analyzed	Not analyzed	<0.01	<0.005
	Old Power Plant Condenser Discharge	Not analyzed	Not analyzed	0.01	<0.005
	New Power Plant Condenser Discharge	No sampling	No sampling	<0.01	<0.005
	Suja Creek	Not analyzed	Not analyzed	<0.01	<0.005
	RO Neutralization Pit Discharge	No sampling	No sampling	<0.05	<0.005
Manganese	Standard	No standard requirement			
	Condenser Intake	Not analyzed	Not analyzed	<0.01	<0.003
	Old Power Plant Condenser Discharge	Not analyzed	Not analyzed	0.08	<0.003
	New Power Plant Condenser Discharge	No sampling	No sampling	<0.01	<0.003
	Suja Creek	Not analyzed	Not analyzed	<0.01	<0.003
	RO Neutralization Pit Discharge	No sampling	No sampling	<0.05	<0.003
Oil & Grease	Standard	10			
	Condenser Intake	0.8	<0.5	0.7	<1.0
	Old Power Plant Condenser Discharge	1.4	0.6	0.6	<1.0
	New Power Plant Condenser Discharge	No sampling		0.8	<1.0
	Suja Creek	1.4	<0.5	0.8	<1.0
	RO Neutralization Pit Discharge	No sampling	No sampling	0.6	<1.0
BOD	Standard	80			
	Condenser Intake	Not analyzed	Not analyzed	<0.01	<1.0
	Old Power Plant Condenser Discharge	Not analyzed	Not analyzed	0.08	<1.0
	New Power Plant Condenser Discharge	No sampling	No sampling	<0.01	<1.0
	Suja Creek	Not analyzed	Not analyzed	<0.01	<1.0
	RO Neutralization Pit Discharge	No sampling	No sampling	<0.05	<1.0
COD	Standard	150			
	Condenser Intake	Not analyzed	Not analyzed	Not analyzed	<5.0
	Old Power Plant Condenser Discharge	Not analyzed	Not analyzed	90.2	187
	New Power Plant Condenser Discharge	No sampling	No sampling	Not analyzed	353
	Suja Creek	Not analyzed	Not analyzed	Not analyzed	106
	RO Neutralization Pit Discharge	No sampling	No sampling	21.5	140
Tot. Coliform	Standard	15,000			
	Condenser Intake	Not analyzed	Not analyzed	Not analyzed	0.0016
	Old Power Plant Condenser Discharge	Not analyzed	Not analyzed	Not analyzed	<1.8
	New Power Plant Condenser Discharge	No sampling	No sampling	Not analyzed	49
	Suja Creek	Not analyzed	Not analyzed	Not analyzed	0.0054
	RO Neutralization Pit Discharge	No sampling	No sampling	Not analyzed	79

Progressive rehabilitation at Panian Mine

Panian's mine life ends in the third or fourth quarter of 2016. Long before it reached peak production phase in 2014, rehabilitation of its rim started in earnest in 2011.

By the end of 2015, rehabilitation through reforestation around Panian Mine has covered a total of 624.68 hectares. Also, about 113 hectares in the southern half of the pit have been filled with overburden from ongoing coal mining operations in Panian and from the development of Narra Mine to its east.

The reforestation team of Semirara Mining and Power Corporation mainly uses beach aguho (*Casuarina equisetifolia*), a fast-growing and nitrogen-fixing species of the she-oak, to prepare these areas for the final phases of rehabilitation.

As the beach aguho trees grow tall, these shall then provide shade to various native, agro-forestry, and endemic trees that the company is preparing to intercrop in these areas.

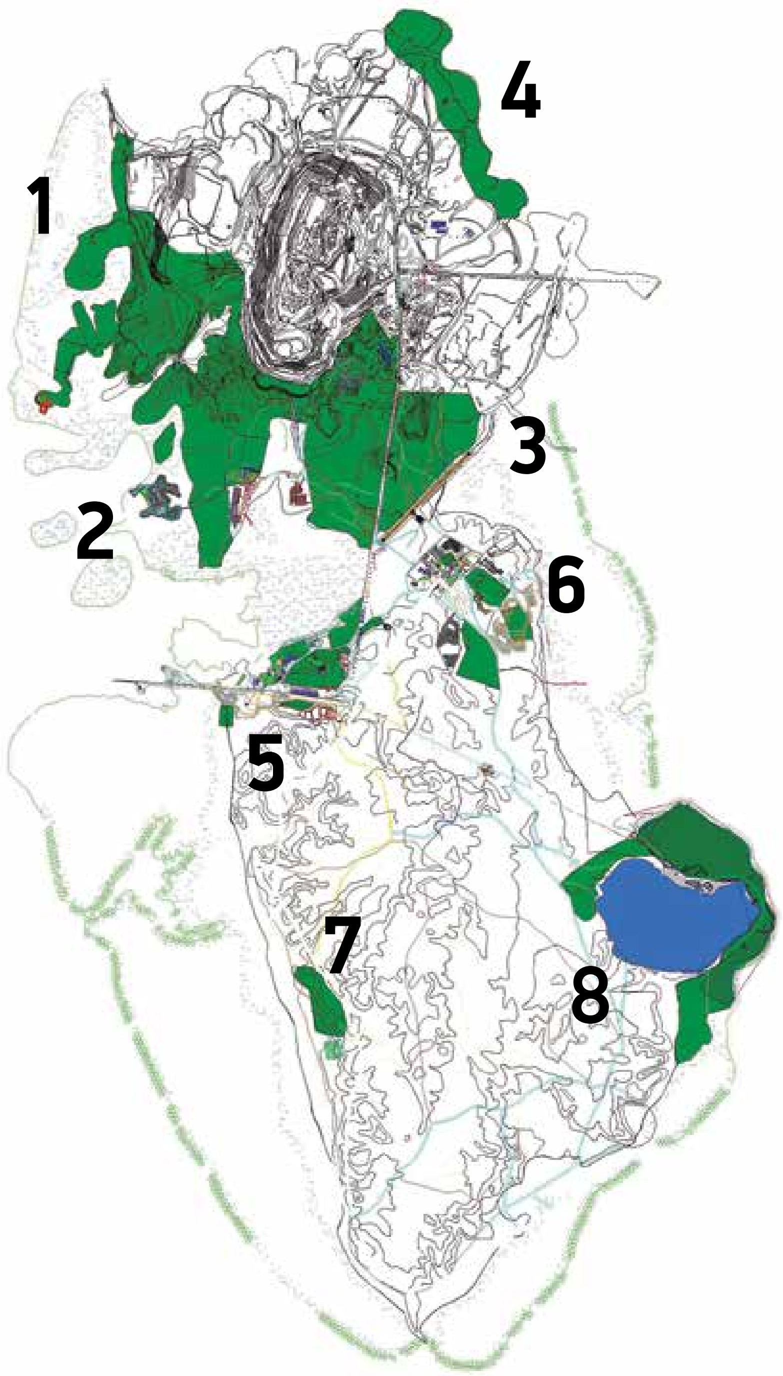
Along the island's coastal areas, the Company has planted 873,070 mangroves in 2000 to 2015, of which 529,800 survive.

The reforestation program, which is part of the mines rehabilitation efforts of the company, provides livelihood to about 51 personnel on a regular basis while providing daily wage to 224 workers during the rainy season.

TREES PLANTED IN 2015

TYPE OF TREE		COMMON NAME	SCIENTIFIC NAME	NO. OF HILLS
BEACH FOREST	Fruit bearing	Beach agoho	Casuarina equisetifolia	394,609
UPLAND FOREST	Fruit bearing	Bignay	Antidesma bunius	870
	FLOWERING	Duhat	Syzygium cumini	2,000
		Anagas	Semecarpus cuneiformis	450
		Balete	Ficus balete	1,120
		Balisayon	Terminalia augustifolia	2,930
		Bayag Usa	Voacanga globosa	710
		Kalumpang	Sterculia foetida	3,000
		Kalumpit	Terminalia microcarpa	1,500
		Kantutay	Lantana camara	1,740
		Molave	Vitex parviflora	2,734
		Noni	Morinda citrifolia	380
		Putat	Barringtonia racemosa	1,600
		Tagpo	Psychotria luconiensis	2,190
INTRODUCED TREE SPECIES		Firetree	Delonix regia	400
AGRO-FORESTRY		African Palm	Elaeis guineensis	1,750
Total				417,983

SEMIRARA REFORESTATION 2000-2015
(IN HECTARES)



SITE	LOCATION	NO. OF HECTARES
1	Casay	16.82
	Elevation 90	36.95
	Ifugao	1.57
	Kaburihan	10.22
	Mabogil	4.69
	MS 7	2.80
	Sibutong	5.67
	Taburan	0.73
2	Bantayan	23.89
	Buena Swerte	1.69
	Capis-capis	48.19
	Kaylongo	7.43
	Tinago	11.41
	Torpido	7.89
	Tubigsanglay	34.88
	Villarosis	34.68
3	Bagong Barrio	34.04
	Bagong Barrio to Palawan	4.80
	K2 Line	1.20
	Panian	33.19
	Panian / carbonaceous	4.24
	Puntod	24.97
4	MIS 5	15.62
	Panian 1	92.30
	Panian 2	29.90
5	Aroma	0.55
	Cooling Area	4.87
	K3 Line	2.30
	Kalamansig	0.42
	Old Main Shop	1.54
	Old washing plant	1.58
	Spring	3.65
	Suja	4.29
6	DMCI Village	0.74
	Gozar	0.56
	Lopez	1.20
	Phase 4	5.75
7	Bigo	3.16
	Bunlao	8.58
	Cabitin	6.14
	Mimalan	4.67
8	Unong	84.91
TOTAL		624.68

WATER SOURCES 2015

Freshwater source	Extraction volume, cu.m
Sanglay catchment	924,183
Casay Lake	684,436
Bunlao Spring	179,762
FW#4 at Spring	207,426
Deep wells in Panian	260,028
Deep wells in Unong	204,957
FW#6	25,095
FWW 14B	4,980
Deep well in Phase 5 Housing VIllage	45,625
Total volume	2,536,492

2015 AMBIENT AIR MONITORING RESULTS

One (1) - hour sampling, quarterly

Station	2010 Baseline (in ppm)	TSP (μg/Nm³) Q1 21-28 Feb	TSP Q2 6-16 Jul	TSP Q3 4-16 Sep	TSP Q4 19-30 Nov	TSP 2015 AVE	SO2 (μg/Nm³) Q1 21-28 Feb	SO2 Q2 6-16 Jul	SO2 Q3 4-16 Sep	SO2 Q4 19-30 Nov	SO2 2015 AVE	NO2 (μg/Nm³) Q1 21-28 Feb	NO2 Q2 6-16 Jul	NO2 Q3 4-16 Sep	NO2 Q4 19-30 Nov	NO2 2015 AVE
1. DMCI	0.015	245.23	14.62	2.68	21.38	70.98	41.23	28.72	20.06	19.79	27.45	14.49	41.39	3.01	2.97	15.47
2. Molave Phase 1	0.015	268.46	17.44	4.03	8.02	74.49	27.02	26.93	20.1	19.84	23.47	4.37	3.8	3.02	2.98	3.54
3. STCI	0.016	201.58	17.44	14.79	For sampling	77.94	61.62	26.99	20.15	20.02	32.20	18.46	3.81	3.02	3.0	7.07
4. Sitio Villaresis	0.016	224.42	13.67	10.91	For sampling	83.00	71.29	27.46	20.49	20.36	34.90	17.13	3.87	3.07	3.05	6.78
DAO 34: Class SC		300.00					260.00					340.00				

* 2010 baseline data by Global Environmental Services, Pasig City

AVERAGE DAILY WATER USE 2015

Water Use, 2015	volume, cu.m	%
Domestic	2,426	34.91%
Irrigation	2,729	39.27%
Industrial	1,794	25.82%
Total	**6,949**	**100.00%**

2015 NOISE LEVEL MONITORING RESULTS

QUARTERLY RESULTS, DECIBELS

STATION	STANDARD (residential area)	ANNUAL AVERAGE Q1 2015 25 Mar	Q2 2015 30 Jun	Q3 2015 5 Sep	Q4 2015 18 Nov	AVE. 2015
DMCI Village	55 dBA	52.8	50.99	52.04	54.66	52.62
Molave Phase 1	55 dBA	52.79	47.06	47.31	52.65	49.95
STCI	55 dBA	53.19	50.53	52.16	52.96	52.21
Sitio Villaresis	55 dBA	52.84	47.93	53.75	52.88	51.85

Ambient air quality and noise monitoring
Monitoring of noise and ambient air quality were done quarterly in 2015 as required in the company's ECC.

Semirara Marine Hatchery Laboratory

Giant clams spawning and reseeding
Semirara Mining and Power Corporation supports the operation of the Semirara Marine Hatchery Laboratory (SMHL), a marine resource development technology facility that has been successfully spawning seven (7) endangered species of the giant clams since 2010.

Its giant clams project for reefs rehabilitation around Semirara Island won 1st runner up in the Corporate Social Responsibility Category of the ASEAN Energy Awards in Kuala Lumpur, Malaysia in October 2015.

The facility has been reseeding seven (7) species of the giant clams: *Tridacna gigas, Tridacna squamosa, Tridacna derasa, Tridacna maxima, Tridacna crocea,* and *Hippopus hippopus* at the Tabunan marine sanctuary of Bgy. Semirara, including *Hippopus porcellanus*, a species that had not been seen in the Philippines for decades until SMHL exchanged *T. gigas* broodstock for *H. porcellanus* with the Marine Ecology Research Center of Sabah, Malaysia in May 2014.

The giant clam is an endangered marine resource of the earth. It survives only in a safe and unpolluted marine environment. As a filter feeder, and given its symbiotic relationship with fishes and corals, the giant clam plays a vital role in rehabilitating coral reefs around Semirara Island.

From the 96 pieces of *T. gigas* broodstock from the University of the Philippines in Bolinao, Pangasinan in 2009, Semirara Marine Hatchery Laboratory has collected other species of the bivalves and brought the population of giant clams to 112,378 by the end of 2015.

The facility has also successfully conducted cross-breeding of the *T. gigas* with the species of the giant clams found around Semirara Island.

The SMHL has been issued an Aquatic Wildlife Farm Permit No. 1 by the Bureau of Aquatic Resources (BFAR) in August 2013 for the commercial breeding of aquatic wildlife, granted that it reserves for conservation 30% of its production.

The facility successfully transported 25 pieces each of the *T. gigas, T. derasa, T. squamosa,* and *H. hippopus* to a resort in Busuanga Island, Palawan North in June 2015, and 100 species of *T. gigas* juveniles to the Department of Environment and Natural Resources (DENR) - Batangas Province in November 2015 for reseeding along the Verde Island Passage, which is dubbed as the world's "center of the center of marine shore fish biodiversity." The latter was done to support the Sustainable Coral Reef Ecosystem Management Program of said DENR Provincial Office.

Abalone project
Abalone is a sea snail that the laboratory in Tabunan is studying as a potential product for the local communities. The *Haliotis asinina* species of this marine resource grows to marketable size in Semirara waters and it responds well to natural feeding.

The SMHL, in 2015, continued to conduct trials in the propagation of gracilaria seaweeds, abalone's natural food. It continues to work on the project with Dr. Gavino C. Trono, a National Scientist for Seaweeds and referred to as "Father of Kappaphycus Farming."

GIANT CLAMS POPULATION

Semirara Island, December 2015

Species / Location	Raceway tanks	Ocean nursery cages	Ocean nursery garden	Marine sanctuary (reseeded)	Broodstock	Total
Tridacna crocea	265	3,621	25	415	34	4,360
Tridacna derasa	11,682	2,370	0	1,165	8	15,225
Tridacna gigas	750	4,685	800	13,097	142	19,474
Tridacna maxima	67	3,774	19	2,174	22	6,056
Tridacna squamosa	23,795	16,424	35	12,120	44	52,418
Hippopus hippopus	390	4,056	625	9,357	62	14,490
Hippopus porcellanus	0	3	20	109	2	134
Crossbreed	24	0	0	197	0	221
Total	36,973	34,933	1,524	38,634	314	112,378

Corals fragments transplantation
Staff of the Semirara Marine Hatchery Laboratory pick up broken off fragments of various species of corals in the reefs of Semirara Island and re-plant these in the Tabunan marine sanctuary.

In 2015, the facility has reseeded 309 pieces of these transplanted corals. It also continues to maintain a coral ocean rope nursery for grow-out of *Acropora sp.* corals.

Reefs rehabilitation
In November 2015, Semirara Mining and Power Corporation sponsored a visit to Apo Island off Dumaguete City by the officials of all three barangays on Semirara Island.

With Dr. Angel C. Alcala, National Scientist and former Secretary of the Department of Environment and Natural Resource, and who initiated the establishment of a Marine Protected Area (MPA) on Apo Island in the early '80s, Semirara Island's barangay officials were able to dialogue with residents of Apo Island and witnessed how the establishment of (MPAs) could benefit small island communities.

The visit aimed to inspire the participants to continue reefs rehabilitation and establish more effective ways in environmental stewardship on Semirara Island.

Mines rehabilitation

Unong Lake

Unong mine lost its topsoil after producing about 12 million metric tons of coal. After Semirara Mining and Power Corporation closed the mine pit in 2000, it started growing ipil-ipil along the rim to stabilize the soil, to encourage grasses to grow, and for the trees to act as windbreaker.

The pit filled with water over the years, transforming into Unong Lake that now hosts meter-long eels, tilapia, and some hawkbill sea turtles released in the area back in 2011.

The three (3) -kilometer road around the lake was developed and is now enjoyed by bikers and weekend strollers. In 2015, the company continued to develop the area for recreation by building a 1.1 kilometer-long zipline atop the lake.

In 2015, the company continued to develop 30 hectares of land in the northern areas of the former mine pit to plant Florida napier (*Pennisetum purpureum*), Pakchong 1 napier (cross of *Pennisetum purpureum* and *Pennisetum glaucum*), and star grass (*Cynodon nlemfuensis*) to feed dairy cows expected to be at site by early 2016.

The dairy farm aims to produce milk to augment food and nutrition needs of children on the island.

Solid Waste Management

In 2015, Barangay Semirara and the workers' villages in Bgy. Alegria generated a total of 938.91 tons of waste.

From the biodegradable waste, the facility was able to produce 127 kilograms of compost. Of this, landscaping efforts consumed 63,720 kilograms, housing areas and vegetable gardens 46,170 kilograms, and 13,600 kilograms in the nurseries.

The recyclable waste 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.

Community Emergency Preparedness

In 2015, emergency preparedness has officially been recognized by the Board of Directors of Semirara Mining and Power Corporation as the 5th "E" in the company's 5Es program. (Note: Employment and Livelihood become a component of Economic Empowerment.)

The strategic action is mirrored at the mine site with the signing of a Memorandum of Agreement on Boosting Emergency Preparedness on Semirara Island with the local government executives of the Municipality of Caluya, and Barangays Alegria, Semirara and Tinogboc.

In the said agreement, the parties agreed to voluntarily pool technical, financial, and capital resources to support the organization and mobilization for island-wide emergency operations; to build the capabilities of organizations and individuals to improve emergency management on the island; and to organize and support volunteer groups for risk reduction and management and coordinated response, among others.

The parties held its annual emergency management and first responders' training and drills on 08-13 June 2015, again tapping the Office of the Provincial Disaster and Risk Reduction Management (PDRRM) - Antique as training resource.

Given the island residents' experience during Typhoon Haiyan (Yolanda) in 2013 and Hagupit (Ruby) in 2014, both the management team and the search and rescue trainees of the island's Emergency Action Group had more to contribute to planning and recovery from an emergency situation.

The officers of Municipal Government of Caluya's also participated in the 2015 trainings, bringing the people trained on emergency management to 37, and first responders to 132.

SEMIRARA ISLAND EMERGENCY ACTION GROUP
Number of trained first responders

Grouping	Feb 2013	May 2014	June 2015
Bgy. Semirara	34	36	32
Semirara Mining & Power Corporation	28	41	40
Municipality of Caluya	5	2	23
Bgy. Alegria	16	16	20
Bgy. Tinogboc	6	13	17
Total	89	108	132

Power Segment –

Environmental Monitoring

A multi-sectoral environmental monitoring team (MMT) at Sem-Calaca was established by the Company's power segment to monitor power plant performance using the approved Environmental Management Plan, Environmental Compliance Certificate conditions and permits granted from various government regulatory agencies as basis for its performance metrics. This mirrors the Company's coal segment initiatives at the Panian Mine, affirming the Company's active involvement in the protection and preservation of the environment in both segments of its core business.

Apart from validating environmental data gathered during quarterly visits, the MMT also produces quarterly a Compliance Monitoring and Verification Report (CMVR). For 2015, validation activities were conducted on May 14 and July 21.

Monitoring teams were grouped into four areas: Ambient Air and Noise, Water, Socio-economic Verification and Biophysical Monitoring; each led by a DENR PENRO and CENRO representative.

OSTREA Mineral Laboratory, a third-party laboratory accredited by the DENR was tapped to handle the sampling, monitoring and analysis of the collected data.

The CMVR was reviewed and finalized by the Joint Sem-Calaca Power Corporation (SCPC) and Southwest Luzon Power Generation Corporation (SLPGC)'s MMT Sectoral and Execom Group on October 7-9, 2015.

The report revealed that the average range of sulfur content of coal (SCROM) used by Units 1 and 2, during the monitoring period were 0.47%- 0.58% and 0.71-0.83%, respectively. In addition, coal quality was found to be below the maximum 1% sulfur content that was stated in the conditions of the ECC issued by DENR-EMB to SCPC.

NOISE QUALITY MONITORING

PD 984 National Pollution	2015															
Control Commission (Class D)	Morning (5:00AM-9:00AM) = 70 dBA				Daytime (9:00AM-6:00PM) = 75 dBA				Evening (6:00PM-10:00PM) = 70 dBA				Evening (6:00PM-10:00PM) = 70 dBA			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
New Resettlement Area, Holcim	60	54	55	59	62	50	56	51	54	53	52	51	48	53	50	50
SCPC Main Gate	59	64	56	62	56	58	56	52	57	55	58	53	47	60	57	55
Intersection Going to Ashpond	58	75	58	63	60	66	55	51	56	64	57	53	48	65	56	50
Dacanlao Along the Highway	60	64	70	71	61	67	70	64	57	62	55	58	44	44	50	45
In front Mr. M. Secreto's House	60	69	70	70	63	67	63	67	56	61	55	62	43	50	50	45
In front Mr. A. Valencia's House	64	67	69	69	60	74	62	69	58	56	55	62	45	52	45	47
Water Intake (before Dacanlao Bridge)	65	63	64	64	62	53	54	62	58	48	52	58	54	50	50	45
Beside Kap. Tanggol's House	58	52	56	61	58	49	47	62	56	52	52	58	45	51	49	45

Ambient air quality monitoring results on the upwind and downwind stations were compliant with DENR standards. Smoke stack emission was observed to be equivalent to Shade No. 1 of the Ringlemann Chart.

Ambient Air results yielded acceptable results and were compliant with the Clean Air Act Standard for ambient SO2; and ambient NO2 for both one-hour exposure and 24-hour exposure; and ambient TSP for one-hour exposure. PM10 results obtained were also within the standard limit of 200 µg/Ncm of the Clean Air Act, while the Smoke Density was found to be compliant with the opacity limit specified in IRR of Clean Air Act of 1999 (Republic Act 8749). Similarly, the data and results gathered from the Ambient Air Quality Monitoring Stations (AQMS) at Plant Site and Barangay Carenahan Stations has complied with the IRR provisions of R.A. 8749.

The report also showed that ambient noise monitoring results were generally within the DENR Noise Quality for Class D Standard, heavy industrial area. Ambient noise during morning, day time and evening were taken at the established sampling stations within the vicinity of the plant complex. In 2015, only one area went over the prescribed limit due to the noise of passing vehicles during sampling.

Water quality monitoring covered marine water, river water, ground water, plant effluents and rainwater.

Results of marine water quality monitoring (M1 to M8 stations) were generally within the Water Quality Criteria for Class SC of DAO 34. Temperature at the Mixing Zone (M4) and the reference zones were within the 3oC rise stated in the standard.

River water quality monitoring results for the inland water within the vicinity of the Power Plant (Dacanlao and Cawong rivers) were within the DAO 34 Water Quality Criteria for Class C, except for the Total Coliform, which could be mainly attributed to upland pollution; as the plant does not discharge water or waste water to the nearby rivers.

Groundwater Quality monitoring results were generally within the Philippine National Standards for Drinking Water (PNSDW) of 2007, except for the Total Coliform. However, SCPC has a water station which supplies its employees' drinking water.

Plant Effluents water quality monitoring results were also within DAO 35 Effluent Regulations for Class SC.

Rain Water Quality Monitoring was continuously monitored in the power plant complex. Parameters were: pH, Conductivity, Temperature and Total Rainfall. Comparison of rain water data to local standard values was not performed, as DENR has yet to issue the implementing rules and regulations for rain water quality monitoring.

For the period of November 15-16, 2015, the top 5 marine phytoplankton species were present in the six marine ecological monitoring stations in the SCPC marine area. Fish was also found in the coral reefs of the said area.

Generally, results of water quality monitoring are all within the standards set by environmental laws

ONE-HOUR AMBIENT AIR QUALITY - UPWIND STATION

	2015			
	Q1	Q2	Q3	Q4
CAA Standard, SO2 = 430 ug/Ncm	< 7	< 7	< 7	< 7
CAA Standard, NO = 260 ug/Ncm	< 1	< 1	< 1	< 1
CAA Standard, TSP = 300 ug/Ncm	33.0	47.8	11.8	49.0
CAA Standard, PM -10 = 200 ug/Ncm	22.8	35.3	11.0	26.8

ONE-HOUR AMBIENT AIR QUALITY - DOWNWIND STATION

	2015			
	Q1	Q2	Q3	Q4
CAA Standard, SO2 = 430 ug/Ncm	< 7	< 7	< 7	< 7
CAA Standard, NO = 260 ug/Ncm	< 1	< 1	< 1	< 1
CAA Standard, TSP = 300 ug/Ncm	39.8	73.8	21.0	58.8
CAA Standard, PM -10 = 200 ug/Ncm	15.0	43.3	13.8	50.0

GROUND WATER QUALITY

PARAMETERS	GW 1				GW 2				GW 3				GW 4				Regulatory
	2015				2015				2015				2015				Standard Limit
	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	PNSDW 2007
pH, level	7.5	8.1	8.5	8.1	7.8	8.1	8.1	8	6.8	7.3	7.5	7.4	7.9	7.4	7.9	7.6	6.5-8.5
TSS, mg/L	3	<1	<1	1	<1	<1	<1	<1	3	1	<1	2	21	<1	<1	<1	-
Color, PCU	5	5	5	2	5	5	5	2	5	5	5	2	5	5	5	2	5
BOD, mg/L	<1	<1	<1	<1	<1	<1	<1	<1	<1	1	<1	<1	<1	<1	<1	<1	-
Oil & Grease, mg/L	<1	<1	<1	1.1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	nil
Trace Metals																	
Cr, mg/L	-	<0.01	-	<0.01	-	-	-	-	-	<0.01	-	<0.01	-	-	-	-	0.05
As, mg/L	-	<0.001	-	<0.001	-	-	-	-	-	<0.001	-	<0.001	-	-	-	-	0.01
Cd, mg/L	-	<0.002	-	<0.003	-	-	-	-	-	<0.0002	-	<0.003	-	-	-	-	0
Pb, mg/L	-	<0.005	-	<0.01	-	-	-	-	-	<0.005	-	<0.01	-	-	-	-	0.01
Hg, mg/L	-	<0.0001	-	<0.0001	-	-	-	-	-	<0.0001	-	<0.0001	-	-	-	-	0

MARINE WATER QUALITY

PARAMETERS	M3				M4				M5				M8				Regulatory
	2015				2015				2015				2015				Standard Limit
	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	DAO 34 Class SC
Temp, °C	28	32	32	28	30	33	33	27	27	31	31	27	28	33	31	27	(a)
pH	8	8.4	8.4	8.5	7.5	7.9	8.5	8.12	8.3	8.5	8.6	8.5	7.7	8.3	8.4	8.4	6-8.5
TSS, mg/L	3	<1	2	2	9	5	3	12	1	1	3	5	8	1	2	4	(c)
Color, PCU	5	5	5	5	5	5	10	5	5	5	5	2	5	5	5	5	normal
BOD, mg/L	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	7(10)
Oil & Grease, mg/L	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	3
Trace Metal																	
Cr, mg/L	-	<0.01	-	<0.01	-	<0.01	-	<0.01	-	<0.01	-	<0.01	-	<0.01	-	<0.01	0.1
As, mg/L	-	<0.001	-	<0.001	-	<0.001	-	<0.001	-	<0.001	-	<0.001	-	<0.001	-	<0.001	0.05
Cd, mg/L	-	<0.002	-	<0.003	-	<0.002	-	<0.003	-	<0.002	-	<0.003	-	<0.002	-	<0.003	0.01
Pb, mg/L	-	<0.005	-	<0.01	-	<0.005	-	<0.01	-	<0.005	-	<0.01	-	<0.005	-	<0.01	0.05
Hg, mg/L	-	<0.0001	-	<0.0001	-	<0.0001	-	<0.0001	-	<0.0001	-	<0.0001	-	<0.0001	-	<0.0001	0.002

RIVER WATER QUALITY

PARAMETERS	CR1				CR3				DR1				DR3				Regulatory
	2015				2015				2015				2015				Standard Limit
	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	DAO 34 Class C
pH, level	7.2	8.4	7.7	8.3	8	8.1	8.3	8.4	8.1	8.5	8.4	8.4	8.1	8.6	8	8.4	6.5-8.5
TSS, mg/L	1	4	13	4	11	13	22	13	16	10	9	10	26	2	4	6	(c)
Color, PCU	5	5	15	5	5	10	50	15	5	5	10	15	5	5	15	5	normal
BOD, mg/L	4	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	2	<1	<1	<1	7 (10)
Oil & Grease, mg/L	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	2
Trace Metals																	
Cr, mg/L	-	<0.01	-	<0.01	-	<0.01	-	-	-	<0.01	-	<0.01	-	-	-	-	0.05
As, mg/L	-	<0.001	-	<0.001	-	<0.001	-	-	-	<0.001	-	<0.001	-	-	-	-	0.05
Cd, mg/L	-	<0.002	-	<0.003	-	<0.002	-	-	-	<0.002	-	<0.003	-	-	-	-	0.01
Pb, mg/L	-	<0.005	-	<0.01	-	<0.005	-	-	-	<0.005	-	<0.01	-	-	-	-	0.05
Hg, mg/L	-	<0.0001	-	<0.0001	-	<0.0005	-	-	-	<0.0001	-	<0.0001	-	-	-	-	0.002

PLANT EFFLUENT QUALITY

PARAMETERS	Discharge Canal				Outfall Discharge				Condenser Outlet 1				Condenser Outlet 2				Regulatory
	2015				2015				2015				2015				Standard Limit
	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	DAO 35 Class SC
pH, level	8	8.1	8.1	8.1	8.2	8.5	8.5	8.5	8.3	8.4	8.5	8.5	8.3	8.5	8.5	-	6.0 - 9.0
TSS, mg/L	13	11	8	5	8	2	4	3	7	2	<1	4	10	3	2	-	150
Color, PCU	25	15	15	5	5	5	5	2	5	5	5	2	5	5	5	-	normal
COD, mg/L	20	<5	<5	<5	-	-	-	-	-	-	-	-		-	-	-	200
Oil & Grease, mg/L	<1	<1	<1	1.1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	<1	-	10
Trace Metals																	
Cr, mg/L	-	-	-	<0.01	-	-	-	<0.01	-	-	-	-	-	-	-	-	0.2
As, mg/L	-	-	-	<0.001	-	-	-	<0.001	-	-	-	-	-	-	-	-	0.5
Cd, mg/L	-	-	-	<0.003	-	-	-	<0.003	-	-	-	-	-	-	-	-	0.1
Pb, mg/L	-	-	-	<0.01	-	-	-	<0.01	-	-	-	-	-	-	-	-	0.5
Hg, mg/L	-	-	-	<0.0001	-	-	-	<0.0001	-	-	-	-	-	-	-	-	0.005

Socio-Economic

The power segment has its own comprehensive social development programs that focus on educational, environmental protection and health support.

The following activities and programs were undertaken in 2015, recipients of which were local residents of Batangas and scholars of the company:

The company supported several workshops and seminars in partnership with the Philippine Foundation for Science and Technology (Teaching Science through Interactive Approaches) and the Provincial Cooperative Development Office (Cooperative Orientation and Principle).

For its support and promotion of science and technology, SCPC was given special recognition by the Philippine Science Centrum.

SCPC actively supported "Brigada Eskwela" programs. SLPGC donated three classroom buildings to the Baclaran Elementary School in Batangas. Both companies had conducted various medical (i.e. free circumcision, clinics), dental, optical missions and feeding programs in cooperation with various LGUs.

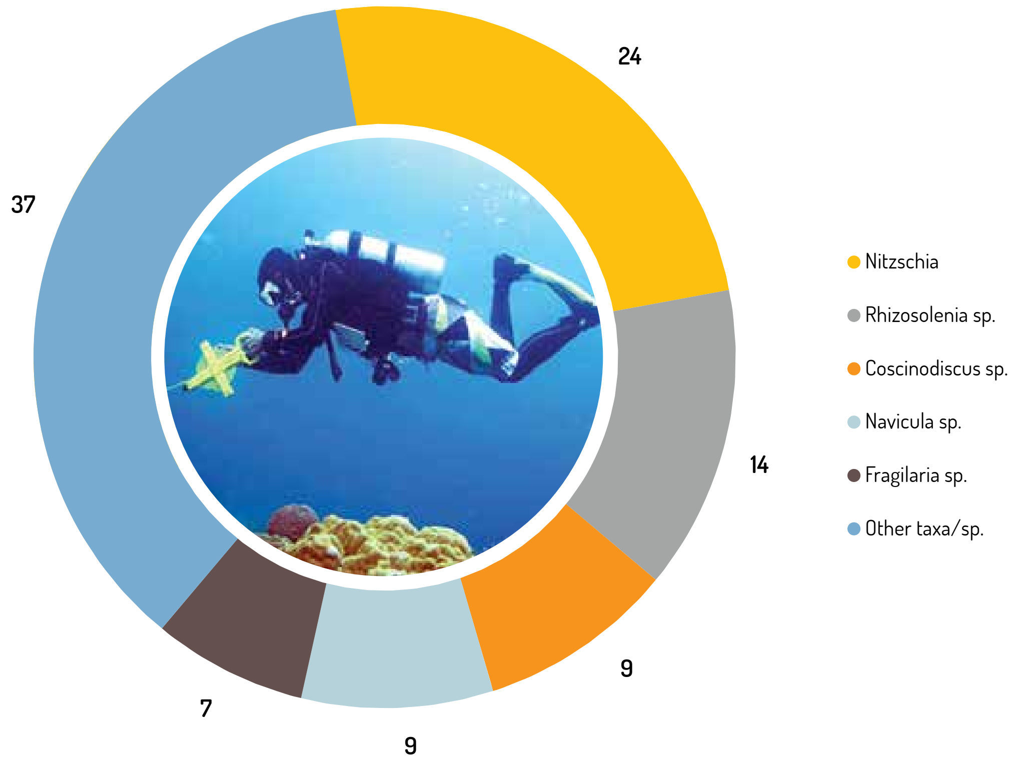
Other Company assistance given were: seedlings for free planting, construction materials for repair of bridges, classrooms and chapels; polyethylene pipes and accessories for improvement of water systems; dip projectors, school supplies and food gift items for different schools.

SCPC was able to secure the approval of ambulance and solar street lighting projects for the Barangays of Baclaran in Balayan and Dacanlao in Calaca funded under Energy Regulations (ER) No.1-94.

2015 TRAININGS

Description/ Nature of Training	No. of Attendees
SKILLS TRAINING:	
Masonry	18
Electrical Installation and Maintenance	29
Engineering Training	17
Shielded Metal Arc Welding Skills Training	32 *
Mechatronics	21
TRAINING FOR STUDENTS AND TEACHERS:	
How to Become a Champion Learner	106
Maximizing Academic Performance	40
How to Become a Champion Teacher	19

*passed TESDA assessment



Observe Marine Fauna at SCPC Pier

TOP 5

MARINE PHYTOPLANKTON species observed in the six Marine Ecological Monitoring Stations during the November 15-16, 2015 monitoring.

FINANCIAL STATEMENTS

Philippine wild ducks

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

(Formerly Semirara Mining Corporation and Subsidiaries)

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014 and Years Ended December 31, 2015, 2014 and 2013 and Independent Auditors' Report

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Statement of Management's Responsibility for Consolidated Financial Statements

The management of SEMIRARA MINING AND POWER CORPORATION is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed this 23rd day of February 2016.

Isidro A. Consunji
Chairman of the Board and Chief Executive Officer

Junalina S. Tabor
Chief Finance Officer

Statement of Board of Directors' Responsibility for Internal Controls and 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 Board's Audit Committee assists in the oversight of the internal controls, financial reporting process, internal audit, external audit and compliance functions, while the Risk Committee assists in the oversight of the risk management process.

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 and internal controls are strengthened, and significant risks are managed to ensure the achievement of the Company's business objectives.

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

February 23, 2016

Isidro A. Consunji
Chairman and Chief Executive Officer

Victor A. Consunji
Vice Chairman and President

Audit Committee Report to the Board of Directors

FOR THE YEAR ENDED DECEMBER 31, 2015

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,
- Compliance, risk and governance

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 2015, the Audit Committee had ten (10) meetings with Management, external auditor SGV & Co., Internal Audit, Corporate Counsel, Chief Governance Officer/Compliance Officer and the Compliance Committee members. Meetings were presided by the Committee Chairman with full attendance by its Members.

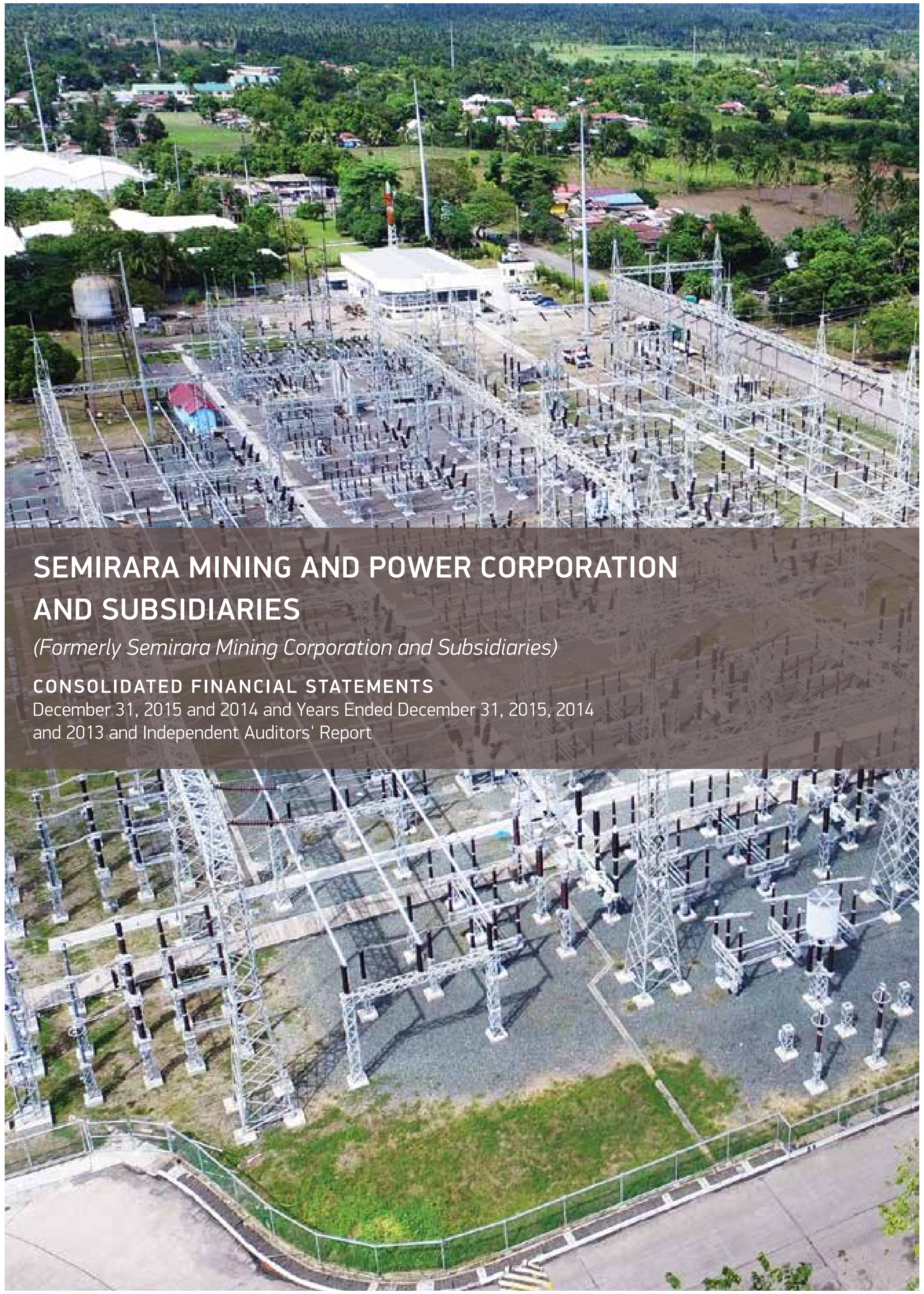
In compliance with its Charter, the Audit Committee confirms that:

- 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, 2015. 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 exercised oversight and review of related party transactions (RPTs) that meet the threshold level stipulated per SEC regulations and requirements of material RPTs, to determine whether they are in the best interests of the Company and shareholders;
- 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 2016 based on SGV's performance, independence, qualifications and due regard of Management feedback;
- The Committee reviewed and approved SMPC Group Internal Audit's 2015 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 private sessions with SMPC Group Internal Audit during the year;
- The Committee reviewed and discussed with Management, SGV & Co., 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, in a joint meeting with the Risk Committee, discussed with Management and Internal Audit the results of risk reviews, and interdependencies of such risks to the Committee's oversight responsibilities. 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 reviewed its Charter and amended related provisions on compliance, risk and governance to strengthen the Committee's effectiveness. It 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 and Members attended the Annual Stockholders' Meeting on May 4, 2015 to address possible shareholder queries on Committee matters; and
- The Committee continued to support the Company's governance framework through oversight of the Code of Conduct for Management 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, 2015 in the Company's Annual Report to the Stockholders and for filing with the Securities and Exchange Commission.

February 23, 2016

Victor C. Macalincag
Committee Chairman, Independent Director



SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

(Formerly Semirara Mining Corporation and Subsidiaries)

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014 and Years Ended December 31, 2015, 2014 and 2013 and Independent Auditors' Report

Independent Auditors' Report

The Stockholders and the Board of Directors
Semirara Mining and Power Corporation

We have audited the accompanying consolidated financial statements of Semirara Mining and Power Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at

December 31, 2015 and 2014, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Semirara Mining and Power Corporation and its subsidiaries as at
December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-AR-1 (Group A), May 12, 2015, valid until May 11, 2018
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2015, February 27, 2015, valid until February 26, 2018
PTR No. 5321703, January 4, 2016, Makati City

February 23, 2016

Consolidated Statements of Financial Position

	December 31 2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 29 and 30)	P4,745,608,379	P3,683,125,544
Receivables (Notes 5, 18, 29 and 30)	2,780,770,361	4,127,721,276
Inventories (Notes 6 and 8)	4,382,606,923	2,792,331,113
Investment in sinking fund (Notes 9, 13, 29 and 30)	460,234,017	–
Other current assets (Notes 7 and 28)	2,723,488,856	2,169,449,877
Total Current Assets	**15,092,708,536**	**12,772,627,810**
Noncurrent Assets		
Property, plant and equipment (Note 8)	36,742,656,343	34,452,040,736
Investment in sinking fund (Notes 9, 13, 29 and 30)	–	521,780,873
Exploration and evaluation asset (Note 10)	3,015,464,959	1,914,437,638
Deferred tax assets (Note 25)	535,544,818	704,195,424
Other noncurrent assets (Notes 11, 28, 29 and 30)	1,770,662,589	1,536,293,213
Total Noncurrent Assets	**42,064,328,709**	**39,128,747,884**
	P57,157,037,245	**P51,901,375,694**
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 14, 18, 29 and 30)	P7,371,993,321	P8,805,562,841
Short-term loans (Notes 12, 29 and 30)	2,993,000,994	1,218,753,398
Current portion of long-term debt (Notes 13, 29 and 30)	5,190,727,400	2,113,885,350
Total Current Liabilities	**15,555,721,715**	**12,138,201,589**
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 13, 29 and 30)	11,359,881,203	16,088,724,435
Provision for decommissioning and site rehabilitation (Note 15)	513,701,432	175,295,942
Pension liabilities (Note 19)	86,982,778	49,029,893
Other noncurrent liabilities (Notes 11 and 18)	2,739,667,958	743,912,319
Total Noncurrent Liabilities	**14,700,233,371**	**17,056,962,589**
Total Liabilities	**30,255,955,086**	**29,195,164,178**
Equity		
Capital stock (Notes 16 and 29)	1,068,750,000	1,068,750,000
Additional paid-in capital (Notes 16 and 29)	6,675,527,411	6,675,527,411
Remeasurement losses on pension plan (Notes 19 and 29)	(30,509,775)	(13,471,337)
Retained earnings (Notes 17 and 29)		
Unappropriated	**13,887,314,523**	**12,675,405,442**
Appropriated	**5,300,000,000**	**2,300,000,000**
Total Equity	**26,901,082,159**	**22,706,211,516**
	P57,157,037,245	**P51,901,375,694**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Years Ended December 31 2015	2014	2013
REVENUE (Note 32)			
Coal	P11,781,825,168	P16,276,929,798	P12,573,569,245
Power	12,898,346,411	12,308,411,291	14,757,590,738
	24,680,171,579	**28,585,341,089**	**27,331,159,983**
COST OF SALES (Notes 20 and 32)			
Coal	6,387,819,465	10,228,011,439	8,664,871,498
Power	4,154,272,904	8,699,475,102	5,445,624,630
	10,542,092,369	**18,927,486,541**	**14,110,496,128**
GROSS PROFIT	14,138,079,210	9,657,854,548	13,220,663,855
OPERATING EXPENSES (Notes 21 and 32)	4,389,084,485	3,220,999,377	5,264,517,633
INCOME FROM OPERATIONS	9,748,994,725	6,436,855,171	7,956,146,222
OTHER INCOME (CHARGES)			
Finance income (Notes 23 and 32)	57,563,749	41,452,768	26,804,566
Finance costs (Notes 22 and 32)	(278,187,914)	(323,228,324)	(381,229,343)
Foreign exchange losses - net (Note 32)	(300,056,178)	(52,140,999)	(481,177,225)
Other income (Notes 24 and 32)	440,678,630	205,488,733	281,208,758
	(80,001,713)	**(128,427,822)**	**(554,393,244)**
INCOME BEFORE INCOME TAX	**9,668,993,012**	**6,308,427,349**	**7,401,752,978**
PROVISION FOR (BENEFIT FROM) INCOME TAX (Notes 25 and 32)	**1,182,083,931**	**(552,867,130)**	**(117,838,304)**
NET INCOME	**8,486,909,081**	**6,861,294,479**	**7,519,591,282**
OTHER COMPREHENSIVE INCOME			
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on pension plan (Note 19)	(24,340,625)	(10,849,524)	17,984,320
Income tax effect	7,302,187	3,254,857	(5,395,296)
	(17,038,438)	(7,594,667)	12,589,024
TOTAL COMPREHENSIVE INCOME	**P8,469,870,643**	**P6,853,699,812**	**P7,532,180,306**
Basic/Diluted Earnings per Share (Note 26)	P7.94	P6.42	P7.04

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Unappropriated Retained Earnings (Note 17)	Appropriated Retained Earnings (Note 17)	Remeasurement Losses on Pension Plan (Note 19)	Total
	For the Year Ended December 31, 2015					
Balances as of January 1, 2015	**P1,068,750,000**	**P6,675,527,411**	**P12,675,405,442**	**P2,300,000,000**	**(P13,471,337)**	**P22,706,211,516**
Comprehensive income						
Net income	–	–	8,486,909,081	–	–	8,486,909,081
Other comprehensive loss	–	–	–	–	(17,038,438)	(17,038,438)
Total comprehensive income	–	–	8,486,909,081	–	(17,038,438)	8,469,870,643
Cash dividends declared	–	–	(4,275,000,000)	–	–	(4,275,000,000)
Appropriations	–	–	(3,000,000,000)	3,000,000,000	–	–
Balances as of December 31, 2015	**P1,068,750,000**	**P6,675,527,411**	**P13,887,314,523**	**P5,300,000,000**	**(P30,509,775)**	**P26,901,082,159**
	For the Year Ended December 31, 2014					
Balances as of January 1, 2014	**P356,250,000**	**P6,675,527,411**	**P10,801,610,963**	**P2,300,000,000**	**(P5,876,670)**	**P20,127,511,704**
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	**P1,068,750,000**	**P6,675,527,411**	**P12,675,405,442**	**P2,300,000,000**	**(P13,471,337)**	**P22,706,211,516**
	For the Year Ended December 31, 2013					
Balances as of January 1, 2013	**P356,250,000**	**P6,675,527,411**	**P9,157,019,681**	**P700,000,000**	**(P18,465,694)**	**P16,870,331,398**
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	**P356,250,000**	**P6,675,527,411**	**P10,801,610,963**	**P2,300,000,000**	**(P5,876,670)**	**P20,127,511,704**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P9,668,993,012	P6,308,427,349	P7,401,752,978
Adjustments for:			
Depreciation and amortization (Notes 8, 11, 20 and 21)	1,742,035,951	1,984,125,281	3,852,000,854
Provision for allowance for doubtful accounts (Notes 5, 21 and 24)	925,151,744	–	443,650,080
Net unrealized foreign exchange losses	331,743,560	57,873,085	309,119,279
Finance costs (Note 22)	278,187,914	323,228,324	381,229,343
Provision for (reversal of) allowance for inventory obsolescence (Note 6)	20,902,458	(12,154,784)	4,120,197
Pension expense (Note 19)	19,392,265	17,284,869	19,939,843
Loss on disposal and write-down of property, plant and equipment (Notes 8 and 21)	16,087,500	110,976	449,910,879
Provision for (reversal of) impairment losses (Notes 11, 21 and 24)	(10,683,653)	–	(61,549,364)
Finance income (Note 23)	(57,563,749)	(41,452,768)	(26,804,566)
Gain on sale of equipment (Notes 8 and 24)	(76,461,975)	(336,750)	(135,073)
Operating income before changes in operating assets and liabilities	12,857,785,027	8,637,105,582	12,773,234,450
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	421,890,473	92,816,713	(894,499,145)
Inventories	(1,499,056,144)	1,853,389,992	1,147,739,715
Other current assets	(427,040,042)	(862,837,500)	604,555,167
Increase (decrease) in trade and other payables	386,149,582	2,481,608,982	(635,524,320)
Cash generated from operations	11,739,728,896	12,202,083,769	12,995,505,867
Contributions to the fund (Note 19)	(5,780,005)	(10,749,863)	(6,857,636)
Interest received	57,472,448	41,822,817	26,801,810
Interest paid	(264,564,378)	(299,397,199)	(355,711,778)
Income taxes paid	(842,987,927)	(8,116,083)	(5,074,275)
Net cash provided by operating activities	10,683,869,034	11,925,643,441	12,654,663,988

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Years Ended December 31 2015	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (including borrowing cost) (Notes 8 and 31)	(4,467,465,139)	(9,418,691,745)	(8,897,742,645)
Exploration and evaluation asset (Notes 8 and 10)	(566,470,643)	(1,317,485,410)	(298,731,356)
Investment in sinking fund (Note 9)	–	(4,177,649)	(10,812,036)
Computer software (Note 11)	(2,803,293)	(3,318,631)	(4,936,722)
Proceeds from sale of equipment (Note 8)	76,461,975	336,750	135,073
Decrease in investment in sinking fund	61,546,856	–	–
Increase in other noncurrent liabilities (Note 11)	6,237,623	39,075,247	665,407,994
Acquisition of a subsidiary-net of cash acquired (Note 2)	–	–	1,250,000
Decrease (increase) in other noncurrent assets (Note 11)	(223,135,347)	32,997,722	(332,430,801)
Net cash used in investing activities	(5,115,627,968)	(10,671,263,716)	(8,877,860,493)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans	P9,884,196,533	P10,357,708,086	P15,522,112,961
Payments of:			
Dividends (Note 17)	(4,275,000,000)	(4,275,000,000)	(4,275,000,000)
Loans	(10,076,979,391)	(8,470,867,131)	(10,748,643,259)
Net cash provided by (used in) financing activities	(4,467,782,858)	(2,388,159,045)	498,469,702
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(37,975,373)**	**(2,402,401)**	**9,643,294**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,062,482,835**	**(1,136,181,721)**	**4,284,916,491**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,683,125,544**	**4,819,307,265**	**534,390,774**
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**P4,745,608,379**	**P3,683,125,544**	**P4,819,307,265**

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Corporate Information

Semirara Mining and Power Corporation (the Parent Company) is a corporation incorporated in the Philippines on February 26, 1980. The Parent Company's registered and principal office address is at 2nd Floor, DMCI Plaza Building, 2281 Pasong Tamo Extension, Makati City. The Parent Company is 56.32% subsidiary of DMCI Holdings, Inc. (DMCI-HI), a publicly listed entity in the Philippines and its ultimate Parent Company.

The Parent Company and its subsidiaries will be collectively referred herein as "the Group".

The Group's primary purpose is to search for, prospect, explore, dig and drill, mine, exploit, extract, produce, mill, purchase or otherwise acquire, store, hold transport, use experiment with, market, distribute, exchange, sell and otherwise dispose of, import, export and handle, trade, and generally deal in, ship coal, coke, and other coal products of all grades, kinds, forms, descriptions and combinations and in general the products and by-products which may be derived, produced, prepared, developed, compounded, made or manufactured there; to acquire, own, maintain and exercise the rights and privileges under the coal operating contract within the purview of Presidential Decree No. 972, "*The Coal Development Act of 1976*", and any amendments thereto and to acquire, expand, rehabilitate and maintain power generating plants, develop fuel for generation of electricity and sell electricity to any person or entity through electricity markets among others.

The Parent Company's shares of stock are listed and are currently traded at the Philippine Stock Exchange (PSE).

On August 18, 2014, the Securities and Exchange Commission (SEC) approved the change in the corporate name of Semirara Mining Corporation to "Semirara Mining and Power Corporation". This change was sought to reflect the forward integration of the Parent Company's business as a coal supplier or producer to power generation through its wholly-owned subsidiaries.

The consolidated financial statements as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 were authorized for issue by the Executive Committee of the Board of Directors (BOD) on February 23, 2016.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared using the historical cost basis. The consolidated financial statements are prepared in Philippine Peso (P), which is also the Parent Company's functional currency. All amounts are rounded off the nearest peso, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2015 and 2014, and for each of the three years in the period ended December 31, 2015.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group assets and liabilities, equity, income, expenses, dividends and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Non-controlling interests (NCI) pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. NCI represent the portion of profit or loss and net assets in subsidiaries not owned by the Group and are presented separately in consolidated statement of comprehensive income, consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from equity holders' of the Parent Company.

Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests including preferred shares and options under share-based transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Notes to Consolidated Financial Statements

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		
	2015	2014	2013
Sem-Calaca Power Corporation (SCPC)	100.00 %	100.00 %	100.00 %
Southwest Luzon Power Generation Corporation (SLPGC)	100.00	100.00	100.00
SEM-Cal Industrial Park Developers, Inc. (SIPDI)	100.00	100.00	100.00
Semirara Claystone, Inc. (SCI)	100.00	100.00	100.00
Semirara Energy Utilities, Inc. (SEUI)	100.00	100.00	100.00
St. Raphael Power Generation Corporation (SRPGC)	100.00	100.00	100.00
SEM-Balayan Power Generation Corporation (SBPGC)	100.00	100.00	100.00
Sem-Calaca RES Corporation (SCRC)*	100.00	100.00	100.00

**Wholly owned subsidiary of SCPC*

Except for SCPC, the Parent Company's subsidiaries have not yet started commercial operations as of December 31, 2015.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any noncontrolling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed in the consolidated statement of comprehensive income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with Philippine Accounting Standards (PAS) 39 *Financial Instrument - Recognition and Measurement*, either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with PFRS 8, *Operating Segment*.

Where goodwill forms part of a cash generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated statement of comprehensive income.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill or profit or loss is recognized as a result.

Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended standards and improvements to PFRS which the Group has adopted starting January 1, 2015. Unless otherwise indicated, the adoption did not have any significant impact on the financial statements of the Group.

- Amendments to PAS 19, *Defined Benefit Plans: Employee Contributions*
- Annual Improvements to PFRSs 2010 - 2012 Cycle
    - PFRS 2, *Share-based Payment* - Definition of Vesting Condition
    - PFRS 3, *Business Combinations* - Accounting for Contingent Consideration in a Business Combination
    - PFRS 8, *Operating Segments* - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets
    - PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets* - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization
    - PAS 24, *Related Party Disclosures* - Key Management Personnel
- Annual Improvements to PFRSs 2011 - 2013 Cycle
    - PFRS 3, *Business Combinations* - Scope Exceptions for Joint Arrangements
    - PFRS 13, *Fair Value Measurement* - Portfolio Exception
    - PAS 40, *Investment Property*

Standards Issued But Not Yet Effective

The Group has not applied the following PFRS, PAS and Philippine Interpretations which are not yet effective as of December 31, 2015. This list consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. Unless otherwise indicated, adoption of these standards and interpretations are not expected to have any significant impact on the financial statements of the Group.

Notes to Consolidated Financial Statements

No definite adoption date prescribed by the SEC and Financial Reporting Standards Council (FRSC)

- Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements, and PAS 28, Investments in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception (Amendments)
- PFRS 11, *Joint Arrangements* - Accounting for Acquisitions of Interests (Amendments)
- PFRS 14, *Regulatory Deferral Accounts*
- PAS 1, *Presentation of Financial Statements* - Disclosure Initiative (Amendments)
- PAS 16, *Property, Plant and Equipment and PAS 41, Agriculture* - Bearer Plants
- PAS 16, *Property, Plant and Equipment and PAS 38, Intangible Assets* - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)
- PAS 27, *Separate Financial Statements* - Equity Method in Separate Financial Statements (Amendments)
- Annual Improvements to PFRSs (2012-2014 cycle)
    - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* - Changes in Methods of Disposal
    - PFRS 7, *Financial Instruments: Disclosures* - Servicing Contracts
    - PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements
    - PAS 19, *Employee Benefits* - regional market issue regarding discount rate
    - PAS 34, *Interim Financial Reporting* - disclosure of information 'elsewhere in the interim financial report'

Effective January 1, 2018

- PFRS 9, *Financial Instruments*

In addition, the International Accounting Standards Board (IASB) has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Group is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers* (effective January 1, 2018)
- IFRS 16, *Leases* (effective January 1, 2019)

Significant Accounting Policies and Disclosures

Cash and Cash Equivalents

Cash and cash equivalents in the group consolidated statement of financial position comprise cash in banks and on hand and short-term deposits with an original maturity of three months or less, but excludes any restricted cash that is not available for use by the Group and therefore is not considered highly liquid.

For the purpose of the group consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Notes to Consolidated Financial Statements

Financial Assets and Financial Liabilities

Date of recognition

The Group recognizes a financial asset or a financial liability on the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss (FVPL). Financial assets in the scope of PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) financial assets, or available-for-sale (AFS) financial assets, as appropriate.

Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities.

As of December 31, 2015 and 2014, the Group's financial assets and financial liabilities are of the nature of loans and receivables and other financial liabilities.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

'Day 1' difference

For transactions other than those related to customers' guaranty and other deposits, where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where the valuation technique used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. These are included in current assets if maturity is within 12 months from reporting date otherwise, these are classified as noncurrent assets. This accounting policy relates to the consolidated statement of financial position accounts "Cash and cash equivalents", "Receivables", "Investment in sinking fund" and "Environmental guarantee fund" under other noncurrent assets.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR and transaction costs. The amortization is included in "Finance income" in the consolidated statement of comprehensive income.

Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired as well as through amortization process.

Other financial liabilities

Other financial liabilities pertain to issued financial instruments that are not classified or designated as financial liabilities at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Other financial liabilities include trade and other payables, short-term loans and long-term debt. All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, short-term loans and long-term debts are subsequently measured at amortized cost using the EIR method.

Deferred Financing Costs

Deferred financing costs represent debt issue costs arising from the fees incurred to obtain project financing. This is included in the initial measurement of the related debt. The deferred financing costs are treated as a discount on the related debt and are amortized using the EIR method over the term of the related debt.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, customer type, customer location, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original EIR (i.e., the EIR computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the consolidated statement of comprehensive income during the period in which it arises. Interest income continues to be recognized based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery has been realized and all collateral has been realized or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Instruments

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are 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

The Group discloses the fair value of financial instruments measured at amortized cost such as loans and receivables and other financial liabilities at each reporting date.

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale for coal inventory or replacement cost for spare parts and supplies. Cost is determined using the weighted average production cost method for coal inventory and the moving average method for spare parts and supplies.

The cost of extracted coal includes stripping costs and other mine-related costs incurred during the period and allocated on per metric ton basis by dividing the total production cost with total volume of coal produced. Except for shiploading cost, which is a period cost, all other production related costs are charged to production cost.

Spare parts and supplies are usually carried as inventories and are recognized in the consolidated statement of comprehensive income when consumed. Inventories transferred to property, plant and equipment are used as a component of self-constructed property, plant and equipment and are recognized as expense during useful life of that asset. Transfers of inventories to property, plant and equipment do not change the carrying amount of the inventories.

Exploration and Evaluation Asset

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analyzing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

License costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit. Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to consolidated statement of comprehensive income as incurred, unless the Group's management concludes that a future economic benefit is more likely than not to be realized. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalized, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Expenditure is transferred from 'Exploration and evaluation asset' to 'Mine properties' which is included under 'Property, plant and equipment' once the work completed to date supports the future development of the property and such development receives appropriate approvals.

After transfer of the exploration and evaluation asset, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized in 'Mine properties'. Development expenditure is net of proceeds from the sale of ore extracted during the development phase.

Stripping Costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalized as part of the cost of mine properties and subsequently amortized over its useful life using units of production method. The capitalization of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Notes to Consolidated Financial Statements

After the commencement of production further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The costs of such stripping are accounted for in the same way as development stripping (as discussed above).

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the coal body to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realized in the form of improved access to ore to be mined in the future, the costs are recognized as a noncurrent asset, referred to as a stripping activity asset, if the following criteria are met:

- Future economic benefits (being improved access to the coal body) are probable;
- The component of the coal body for which access will be improved can be accurately identified; and
- The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to the consolidated statement of comprehensive income as operating costs as they are incurred.

In identifying components of the coal body, the Group works closely with the mining operations department for each mining operation to analyze each of the mine plans. Generally, a component will be a subset of the total coal body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the type of commodity, the geological characteristics of the coal body, the geographical location, and/or financial considerations.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of coal body, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the coal body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is included as part of 'Property, plant and equipment' in the consolidated statement of financial position. This forms part of the total investment in the relevant cash generating unit, which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the units of production method over the life of the identified component of the coal body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the coal body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

Mining Reserves

Mining reserves are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. The Group estimates its mining reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and require complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the coal body. Changes in the reserve or resource estimates may impact the carrying value of exploration and evaluation asset, property, plant and equipment, provision for decommissioning and site rehabilitation and depreciation and amortization charges.

Property, Plant and Equipment

Upon completion of mine construction, the assets are transferred into property, plant and equipment. Items of property, plant and equipment except land are carried at cost less accumulated depreciation and any impairment in value.

The initial cost of property, plant and equipment also comprises its purchase price or construction cost, including non-refundable import duties, taxes, borrowing costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the year when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, and the costs of these items can be measured reliably, the expenditures are capitalized as an additional cost of the property, plant and equipment. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Equipment in transit and construction in progress, included in property, plant and equipment, are stated at cost. Construction in progress includes the cost of the construction of property, plant and equipment and, for qualifying assets, borrowing cost. Equipment in transit includes the acquisition cost of mining equipment and other direct costs.

Mine properties consists of stripping activity asset and expenditures transferred from 'Exploration and evaluation asset' once the work completed supports the future development of the property.

Mine properties are depreciated or amortized on a unit-of-production basis over the economically recoverable reserves of the mine concerned. Mine properties are included as part of 'Mining properties, mining tools and other equipment' under 'Property, plant and equipment' in the consolidated statement of financial position.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation of property, plant and equipment commences once the assets are put into operational use.

Depreciation of property, plant and equipment are computed on a straight-line basis over the estimated useful lives (EUL) of the respective assets as follows:

	Years
Mining tools and other equipment	2 to 13
Power plant and buildings	10 to 25
Roads and bridges	17

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

Land is stated at historical cost less any accumulated impairment losses. Historical cost includes the purchase price and directly attributable costs.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. When assets are retired, or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year the item is derecognized.

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Computer Software

Computer software, included under "Other noncurrent assets", is measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. Computer software is carried at cost less any accumulated amortization on a straight line basis over their useful lives of three (3) to five (5) years and any impairment in value.

Amortization of computer software is recognized under the "Cost of sales" in the consolidated statement of comprehensive income.

Gains or losses arising from derecognition of computer software are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Impairment of Nonfinancial Assets

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

Inventories

NRV tests are performed at least annually and represent the estimated sales price based on prevailing price at reporting date, less estimated cost necessary to make the sale for coal inventory or replacement costs for spare parts and supplies. If there is any objective evidence that the inventories are impaired, impairment losses are recognized in the consolidated statement of comprehensive income, in those expense categories consistent with the function of the assets, as being the difference between the cost and NRV of inventories.

Exploration and evaluation assets

Exploration and evaluation assets should be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Under PFRS 6 one or more of the following facts and circumstances could indicate that an impairment test is required. The list is not intended to be exhaustive: (a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and (d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Property, plant and equipment and computer software

An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

Notes to Consolidated Financial Statements

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

For property, plant and equipment, reversal is recognized in the consolidated statement of comprehensive income. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset

Notes to Consolidated Financial Statements

- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales of the consolidated statement of comprehensive income. During the period of development, the asset is tested for impairment annually.

The Group has assessed the useful life of the development costs based on the expected usage of the asset. The useful life of capitalized development costs is twenty (20) years.

Input Value-Added Taxes (VAT)

Input tax represents the VAT due or paid on purchases of goods and services subjected to VAT that the Group can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT on sale of goods and services subjected to VAT. The input tax can also be recovered as tax credit under certain circumstances against future income tax liability of the Group upon approval of the BIR and/or Bureau of Customs. Input tax is stated at its estimated net realizable values. A valuation allowance is provided for any portion of the input tax that cannot be claimed against output tax or recovered as tax credit against future income tax liability. Input tax is recorded under current and noncurrent assets in the consolidated statement of financial position.

Other Assets

Other assets pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group.

Current and Noncurrent Classification

The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification. An asset is current when:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after reporting date; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Group classifies all other liabilities as noncurrent.

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of coal

Revenue from coal sales is recognized upon acceptance of the goods delivered when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue from local and export coal sales are denominated in Philippine Peso and US Dollar, respectively.

Contract energy sales

Revenue from contract energy sales are derived from providing and selling electricity to customers of the generated and purchased electricity. Revenue is recognized based on the actual energy received or actual energy nominated by the customer, net of adjustments, as agreed upon between parties.

Spot electricity sales

Revenue from spot electricity sales derived from the sale to the spot market of excess generated electricity over the contracted energy using price determined by the spot market, also known as Wholesale Electricity Spot Market (WESM), the market where electricity is traded, as mandated by Republic Act (RA) No. 9136 of the Department of Energy (DOE).

Finance income

Finance income is recognized as it accrues (using the EIR method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets).

Cost of Sales

Cost of coal

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

Cost of power

Cost of power includes costs directly related to the production and sale of electricity such as cost of coal, fuel, depreciation and other related costs. Cost of coal and fuel are recognized at the time the related coal and fuel inventories are consumed for the production of electricity. Cost of power also includes electricity purchased from the spot market and its related market fees. These costs are recognized when the Group receives the electricity and simultaneously sells to its customers.

Operating Expenses

Operating expenses are expenses that arise in the course of the ordinary operations of the Group. These usually take the form of an outflow or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distribution to equity participants. Expenses are recognized in the consolidated statement of comprehensive income as incurred.

Notes to Consolidated Financial Statements

Borrowing Costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalized and added to the project cost during construction until such time the assets are considered substantially ready for their intended use i.e., when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where surplus funds are available for a short term out of money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalized and deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognized in the consolidated statement of comprehensive income in the period in which they are incurred.

Pension Costs

The Group has a noncontributory defined benefit plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit liability at the end of reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service costs
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to consolidated statement of comprehensive income in subsequent periods. All remeasurements recognized in OCI account "Remeasurement gains (losses) on pension plan" are not reclassified to another equity account in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related liabilities). If the fair value of the plan assets is higher than the present value of the defined benefit liability, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit liability is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly within twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of reporting date.

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at reporting date.

Current income tax relating to items recognized in equity is recognized in equity and not in the statement of comprehensive income.

Deferred tax

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

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO can be utilized.

Deferred tax assets are not recognized when they arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting income nor taxable income or loss. Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at financial reporting date.

Notes to Consolidated Financial Statements

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transactions either in OCI or directly in equity.

Provisions

Provisions are recognized only when the Group has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provision for decommissioning and site rehabilitation

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statements of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of comprehensive income.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. It requires consideration as to whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of the renewal or extension period for scenario (b).

A lease is classified as an operating lease if it does not transfer substantially all of the risks and rewards incidental to ownership. Operating lease payments are recognized in cost of coal sales under "Outside services" in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Notes to Consolidated
Financial Statements

Foreign Currency-denominated Transactions and Translation

The group financial statements are presented in Philippine peso, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate at reporting date. All differences are taken to the consolidated statement of comprehensive income.

Equity

The Group records common stocks at par value and amount of contribution in excess of par value is accounted for as an additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Retained earnings represent accumulated earnings of the Group less dividends declared, if any. Dividends on common stocks are recognized as a liability and deducted from equity when they are declared. Dividends for the year that are approved after reporting date are dealt with as an event after reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Earnings per Share (EPS)

Basic EPS is computed by dividing the net income for the year attributable to common shareholders (net income less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted EPS assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted EPS is presented.

Operating Segments

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group generally accounts for intersegment revenues and expenses at agreed transfer prices. Income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of income after taxes. Financial information on operating segments is presented in Note 32 to the consolidated financial statements.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events after Reporting Date

Post year-end events up to the date of the auditors' report that provides additional information about the Group's position at reporting date (adjusting events) are reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed when material to the consolidated financial statements.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the accompanying consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgment

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the consolidated financial statements:

a. Determining functional currency

The functional currency for the parent entity, each of its subsidiaries and joint ventures, is the currency of the primary economic environment in which the entity operates. The parent entity has determined the functional currency of each entity is the Philippine Peso. Determination of functional currency may involve certain judgments to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

b. Operating lease commitments - the Group as lessee

The Group has entered into various contract of lease for office space, equipment and land. The Group has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Group considered the substance of the transaction rather than the form of the contract (see Note 28).

c. Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

d. Stripping costs

The Group incurs waste removal costs (stripping costs) during the development and production phases of its surface mining operations. During the production phase, stripping costs (production stripping costs) can be incurred both in relation to the production of inventory in that period and the creation of improved access and mining flexibility in relation to ore to be mined in the future. The former are included as part of the costs of inventory, while the latter are capitalized as a stripping activity asset, where certain criteria are met. Significant judgment is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and what relates to the creation of a stripping activity asset.

Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the coal bodies for each of its mining operations. An identifiable component is a specific volume of the coal body that is made more accessible by the stripping activity. Significant judgment is required to identify and define these components, and also to determine the expected volumes of waste to be stripped and coal body to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the coal body, the geographical location and/or financial considerations.

Notes to Consolidated Financial Statements

Judgment is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of the coal body, is the most suitable production measure. Furthermore, judgments and estimates are also used to apply the units of production method in determining the depreciable lives of the stripping activity asset.

e. *Contingencies*

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on its current financial position and results of operations. It is possible, however, that future results of operations and financial position could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 28).

Management's Use of Estimates and Assumptions

The key assumptions concerning the future and other sources of estimation uncertainty at reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. *Revenue recognition*

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of the revenues and receivables.

The Group's coal sales arrangement with its customers includes reductions of invoice price to take into consideration charges for penalties and upward adjustments due to quality of coal. These price adjustments may arise from the actual quantity and quality of delivered coal.

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

b. *Estimating allowance for doubtful accounts*

The Group maintains an allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to debtors' ability to pay all amounts due according to the contractual terms of the receivables being evaluated, historical experience and any regulatory actions. The Group regularly performs a review of the age and status of receivables and identifies accounts that are to be provided with allowance.

The amount and timing of recorded impairment loss for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for doubtful accounts would increase the recorded operating expenses and decrease the current assets.

The above assessment resulted to an additional allowance of P925.15 million in 2015 and nil in 2014.

The allowance for doubtful accounts for receivables is disclosed in Note 5.

c. *Estimating stock pile inventory quantities*

The Group estimates the stock pile inventory by conducting a topographic survey which is performed by in-house surveyors and third-party surveyors. The survey is conducted on a monthly basis with a reconfirmatory survey at year end. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus 5%. Thus, an increase or decrease in the estimation threshold for any period would differ if the Group utilized different estimates and this would either increase or decrease the profit for the year.

The amount of coal pile inventory is disclosed in Note 6.

d. *Estimating allowance for obsolescence in spare parts and supplies*

The Group estimates its allowance for inventory obsolescence in spare parts and supplies based on periodic specific identification. The Group provides 100% allowance for obsolescence on items that are specifically identified as obsolete.

The amount and timing of recorded inventory obsolescence for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for inventory obsolescence would increase the Group's recorded operating expenses and decrease its current assets.

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

e. *Estimating development costs*

Development costs are capitalized in accordance with the accounting policy. Initial capitalization of costs is based on management's judgment that technological and economical feasibility is confirmed. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

Capitalized development costs are disclosed in Note 11.

f. *Estimating decommissioning and site rehabilitation costs*

The Group is legally required to fulfill certain obligations under its Department of Environment and Natural Resources (DENR) issued Environmental Compliance Certificate when its activities has ended in the depleted mine pits. The Group also provides for decommissioning cost for the future clean-up of its power plant under Section 8 of the Land Lease Agreement upon its termination or cancellation. Significant estimates and assumptions are made in determining the provision for decommissioning and site rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. An increase in decommissioning and site rehabilitation costs would increase the carrying amount of the related assets and increase noncurrent liabilities. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.

The estimated provision for decommissioning and site rehabilitation is disclosed in Note 15.

g. *Estimating useful lives of property, plant and equipment and computer software (except land)*

The Group estimated the useful lives of its property, plant and equipment and computer software based on the period over which the assets are expected to be available for use.

Notes to Consolidated Financial Statements

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 P1.11 billion in 2013.

The carrying values of the property, plant and equipment and computer software are disclosed in Notes 8 and 11, respectively.

h. Estimating impairment for nonfinancial assets

The Group assesses impairment on property, plant and equipment, computer software and input VAT withheld whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the assets fair value and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

The carrying values of the property, plant and equipment, computer software and input VAT withheld are disclosed in Notes 7, 8 and 11, respectively.

i. Deferred tax assets

The Group reviews the carrying amounts of deferred tax assets at each reporting date. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Group will generate taxable earnings in future periods and in reference to its income tax holiday status in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realize the net deferred tax assets recorded at reporting date could be impacted.

In 2015 and 2014, the Group has various deductible temporary differences and NOLCO for which deferred tax assets are not recognized (see Note 25).

j. Estimating pension and other employee benefits

The cost of defined benefit pension plan and the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These assumptions are described in Note 19 and include among others, the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit liability. Future salary increases are based on expected future inflation rates and other relevant factors.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

4. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash on hand and in banks	P1,845,316,200	P1,523,452,817
Cash equivalents	2,900,292,179	2,159,672,727
	P4,745,608,379	**P3,683,125,544**

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents include short-term placements made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective prevailing short-term placement rates ranging from 0.75% to 2.50% and 1.00% to 2.75% in 2015 and 2014, respectively.

In 2015, 2014 and 2013, total interest income earned from cash and cash equivalents amounted to P47.89 million, P34.33 million and P13.77 million, respectively (see Note 23).

5. Receivables

This account consists of:

	2015	2014
Trade receivables - outside parties	P4,056,410,128	P4,469,520,513
Trade receivables - related parties (Note 18)	68,830,272	67,121,866
Others	83,670,947	94,068,138
	4,208,911,347	4,630,710,517
Less allowance for doubtful accounts	1,428,140,986	502,989,241
	P2,780,770,361	**P4,127,721,276**

Trade receivables - outside parties

These are receivables from electricity sales and coal sales. Receivables from electricity sales are claims from power distribution utilities, spot market operator and other customers for the sale of contracted energy and spot sales transactions. This also includes advances to Philippine Electricity Market Corporation (PEMC) for the adjustment of bills amounting to P533.72 million and P196.58 million as of December 31, 2015 and 2014, respectively. These are generally on a 30-day credit term and are carried at original invoice amounts less discounts and rebates.

Receivables from coal sales are noninterest-bearing and generally have 30 to 45 day credit terms. These receivables arise from:

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

Trade receivables - related parties

Receivables from related parties are noninterest-bearing and collectible over a period of one year.

Others

Others include advances to site contractors, officers, employees and receivable from sale of fly ashes. These are generally non-interest bearing.

Movements in the allowance for doubtful accounts are as follows:

			2015
	Trade receivables - outside parties	Others	Total
At January 1	P497,173,882	P5,815,359	P502,989,241
Provision (Note 21)	925,151,745	–	925,151,745
At December 31	**P1,422,325,627**	**P5,815,359**	**P1,428,140,986**

			2014
	Trade receivables - outside parties	Others	Total
At January 1	P497,173,882	P5,815,359	P502,989,241
Provision (Note 21)	–	–	–
At December 31	**P497,173,882**	**P5,815,359**	**P502,989,241**

Provision for doubtful accounts is included in the “Operating Expenses” in the consolidated statements of comprehensive income (see Note 21).

Notes to Consolidated Financial Statements

6. Inventories

This account consists of:

	2015	2014
Spare parts and supplies at NRV	P2,734,982,148	P2,240,860,599
Coal pile inventory at cost	1,647,624,775	551,470,514
	P4,382,606,923	**P2,792,331,113**

Coal pile inventory are stated at cost, which is lower than NRV. The cost of coal inventories recognized as cost of sales in the consolidated statements of comprehensive income amounted to P6.18 billion, P9.79 billion and P8.21 billion for each of the three years ended December 31, 2015, 2014 and 2013, respectively (see Note 20).

Coal pile inventory at cost included capitalized depreciation of P112.12 million and P39.11 million in 2015 and 2014, respectively (see Note 8).

The rollforward analysis for inventory obsolescence follows:

	2015	2014
Beginning balance	P45,252,338	P57,407,122
Provision for the year (Note 21)	20,902,458	–
Reversal during the year	–	(12,154,784)
Ending balance	**P66,154,796**	**P45,252,338**

7. Other Current Assets

This account consists of:

	2015	2014
Advances to suppliers (Note 18)	P1,452,584,075	P836,286,751
Input value-added tax (VAT)	790,488,345	762,482,193
Creditable withholding tax	441,037,255	514,561,071
Prepaid insurance	11,327,741	16,326,140
Prepaid rent (Notes 11 and 28)	4,553,004	4,544,839
Others	23,498,436	35,248,883
	P2,723,488,856	**P2,169,449,877**

Advances to suppliers

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

Input VAT

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is applied against output VAT. The balance is recoverable in future periods.

Creditable withholding tax

Creditable withholding tax pertains to the amount withheld by the Group's customers from their income payment. This will be claimed as tax credit and will be used against future income tax payable.

Others

Others include prepayments on insurance and other charges.

8. Property, Plant and Equipment

The rollforward of this account follows:

2015

	Land	Mine Properties, Mining, Tools and Other Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	Total
Cost						
At January 1	P376,811,469	P16,926,630,972	P21,490,788,294	P827,359,725	P17,625,557,933	P57,247,148,393
Additions (Note 15)	–	2,091,545,869	594,705,103	–	2,010,840,433	4,697,091,405
Transfers from Construction in Progress	–	15,652,414	257,530,669	–	(273,183,083)	–
Disposals (Notes 21 and 24)	–	(813,190,874)	–	–	–	(813,190,874)
Adjustment (Note 15)	–	56,992,919	–	–	(60,919,381)	(3,926,462)
At December 31	376,811,469	18,277,631,300	22,343,024,066	827,359,725	19,302,295,902	61,127,122,462
Accumulated Depreciation						
At January 1	–	15,509,188,220	6,931,383,761	354,535,676	–	22,795,107,657
Depreciation (Notes 20 and 21)	–	1,256,393,922	1,075,238,200	54,829,714	–	2,386,461,836
Disposals (Notes 21 and 24)	–	(797,103,374)	–	–	–	(797,103,374)
At December 31	–	15,968,478,768	8,006,621,961	409,365,390	–	24,384,466,119
Net Book Value	**P376,811,469**	**P2,309,152,532**	**P14,336,402,105**	**P417,994,335**	**P19,302,295,902**	**P36,742,656,343**

Notes to Consolidated Financial Statements

2014

	Land	Mine Properties, Mining, Tools and Other Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	Total
Cost						
At January 1	P376,811,469	P15,937,192,050	P19,998,004,168	P827,359,725	P10,810,074,116	P47,949,441,528
Additions	–	1,110,423,802	63,933,040	–	8,244,334,903	9,418,691,745
Transfers from Construction in Progress	–	–	1,428,851,086	–	(1,428,851,086)	–
Disposals (Notes 21 and 24)	–	(102,475,004)	–	–	–	(102,475,004)
Adjustment (Note 15)	–	(18,509,876)	–	–	–	(18,509,876)
At December 31	376,811,469	16,926,630,972	21,490,788,294	827,359,725	17,625,557,933	57,247,148,393
Accumulated Depreciation						
At January 1	–	14,452,733,939	5,910,845,803	299,705,962	–	20,663,285,704
Depreciation (Notes 20 and 21)	–	1,158,818,309	1,020,537,958	54,829,714	–	2,234,185,981
Disposals (Notes 21 and 24)	–	(102,364,028)	–	–	–	(102,364,028)
At December 31	–	15,509,188,220	6,931,383,761	354,535,676	–	22,795,107,657
Net Book Value	**P376,811,469**	**P1,417,442,752**	**P14,559,404,533**	**P472,824,049**	**P17,625,557,933**	**P34,452,040,736**

Equipment in transit and construction in progress accounts mostly pertain to purchased mining equipment that are in transit and various buildings and structures that are under construction as of December 31, 2015 and 2014.

In 2014, construction in progress includes capitalized rehabilitation costs for Unit 2 of SCPC's power plant and construction of SLPGC's 2 x 150 megawatt (MW) coal-fired thermal power plant. The rehabilitation of Unit 2 of SCPC power plant was completed in August 2014. In 2015, construction in progress mostly pertains to SLPGC's on-going construction of coal-fired thermal power plant.

The construction of SLPGC's coal-fired power plant commenced in the early part of 2012. As of December 31, 2015, the power plant is under commissioning stage and is expected to commence commercial operations in the third quarter of 2016.

The capitalized borrowing cost included in the construction in progress account amounted to P451.31 million and P333.84 million on December 31, 2015 and 2014, respectively. The average capitalization rate is 4.08% and 3.18% in 2015 and 2014 (see Note 13).

Decommissioning costs are included in the respective assets. The impact of annual re-estimation is shown in the rollforward as an adjustment (see Note 15).

In 2015, 2014 and 2013, the Group sold various equipment at a gain amounting to P76.46 million, P0.34 million and P0.14 million, respectively (see Note 24).

The Group incurred a loss from property, plant and equipment write-down due to the replacement of generation units and retirement of mining equipment amounted to P16.09 million, P0.11 million and P449.91 million in 2015, 2014 and 2013, respectively (see Note 21).

The cost of fully depreciated assets that are still in use amounted to P11.60 billion and P11.09 billion as of December 31, 2015 and 2014, respectively.

As security for timely payment, discharge, observance and performance of the loan provisions, SCPC creates, establishes, and constitutes in favor of the Security Trustee, for the benefit of all secured parties, a first ranking real estate and chattel mortgage on present and future real assets and chattels owned by SCPC. The carrying values of these mortgaged assets amounted to P14.86 billion and P14.88 billion as of December 31, 2015 and 2014, respectively.

As security for timely payment, discharge, observance and performance of the loan provisions, SLPGC creates, establishes, and constitutes in favor of the Security Trustee, for the benefit of all secured parties, a first ranking real estate and chattel mortgage on present and future real assets and chattels owned by SLPGC. The carrying values of these mortgaged assets amounted to P17.45 billion and P16.02 billion as of December 31, 2015 and 2014, respectively.

Depreciation and amortization follow:

	2015	2014	2013
Included under:			
Inventories (Note 6)	P112,122,124	P39,109,356	P121,831,125
Exploration and evaluation asset (Note 10)	382,953,462	64,703,005	49,421,284
Cost of coal sales (Note 20):			
Depreciation and amortization	519,842,448	822,278,521	1,114,654,804
Hauling and shiploading costs	32,253,172	70,017,097	65,215,174
Cost of power sales (Note 20):			
Cost of coal			
Depreciation and amortization	291,951,404	262,866,200	470,558,388
Hauling and shiploading costs	–	–	23,554,054
Depreciation	1,006,345,938	926,330,083	1,015,838,969
Operating expenses (Note 21)	43,246,105	51,655,398	1,162,179,465
	P2,388,714,653	**P2,236,959,660**	**P4,023,253,263**
Depreciation and amortization of:			
Property, plant and equipment (Note 8)	P2,386,461,836	P2,234,185,981	P4,019,619,703
Computer software (Note 11)	2,252,917	2,773,679	3,633,560
	P2,388,714,753	**P2,236,959,660**	**P4,023,253,263**

9. Investment in Sinking Fund

In a special meeting of the BOD of the SCPC held on March 9, 2010, the BOD authorized the SCPC to establish, maintain, and operate trust and investment management accounts with Banco de Oro Unibank, Inc. (BDO) - Trust and Investment Group. The Omnibus Agreement (see Note 13) provided that the Security Trustee shall invest and reinvest the monies on deposit in Collateral Accounts. All investments made shall be in the name of the Security Trustee and for the benefit of the Collateral Accounts. BDO Unibank, Inc. - Trust and Investment Group made an investment in Sinking Fund amounting P460.23 million and P521.78 million as of December 31, 2015 and 2014, respectively. Such sinking fund was reclassified to current asset because of the planned prepayment of loan to which the account is attached.

Interest from sinking fund amounted to P8.99 million and P6.67 million in 2015 and 2014, respectively (see Note 23).

10. Exploration and Evaluation Asset

	2015	2014
At January 1	P1,914,437,638	P348,152,638
Addition	1,101,027,321	1,566,285,000
At December 31	**P3,015,464,959**	**P1,914,437,638**

These costs are related to exploratory drilling and activities in Narra minesite (formerly Bobog minesite). This mine site is situated around one kilometer away from the current active Panian mine. Expected coal release is on the last quarter of 2016 with an estimated initial production of 1.50 million metric tons based on the most recent 5-year mine plan, using the in-house estimate of recoverable coal reserve of 40.00 million metric tons. The Third Party-Mining Engineer's report dated December 29, 2014 showed mineable reserve of 71 million metric tons with recoverable coal reserve of 64 million metric tons, after superimposing an optimum pit over the existing coal resources delineated at Narra by extensive drilling.

11. Other Noncurrent Assets and Other Noncurrent Liabilities

Other Noncurrent Assets

	2015	2014
Input VAT	P1,371,371,326	P1,173,397,202
Claims for refunds and tax credits - net	175,208,925	164,526,094
Capitalized development costs for clay business	128,170,838	98,486,533
Prepaid rent (Note 28)	85,422,305	89,936,396
Computer software - net	4,776,257	4,225,881
Environmental guarantee fund (Notes 29 and 30)	1,500,000	1,500,000
Others	8,765,942	8,765,946
	1,775,215,593	**1,540,838,052**
Less current portion of prepaid rent (Note 7)	4,553,004	4,544,839
	P1,770,662,589	**P1,536,293,213**

Input VAT

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is applied against output VAT. The noncurrent portion of input VAT pertains to the unamortized portion of input VAT on purchase of capital goods spread evenly between the life of the capital goods or five years, whichever is lower. The balance is recoverable in future periods.

Claims for refunds and tax credits

This amount pertain to claims for refund and issuance of tax credit certificates from BIR on erroneously withheld VAT on VAT-exempt coal sales which were ruled by the Supreme Court in favor of the Group.

In 2015, the Parent Company reassessed the level of allowance for impairment and reversed P10.68 million on the basis that the SC GR Case No. 202534 (P15.29 million VAT which was erroneously withheld by National Power Corporation (NPC) for the month of January 2007) is the remaining open case and the other claims for refund were already decided in favor of the Parent Company. This resulted to a reversal of P10.68 million provision for impairment losses reflected as "Other income" in the consolidated statements of comprehensive income in 2015 (see Note 24).

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

	2015	2014
At January 1	P25,975,708	P25,975,708
Reversal (Note 24)	10,683,653	–
At December 31	**P15,292,055**	**P25,975,708**

Capitalized development costs for clay business

In 2015 and 2014 SCI has capitalized development expenditures amounting to P33.70 million and P98.47 million, respectively. Development costs for goods, commodities, wares and merchandise including potter earthenware, stoneware, bricks, tiles, roofs and other merchandise produce from clay are recognized as an intangible asset.

Prepaid rent

Prepaid rent under other noncurrent assets pertain to the long-term portion of rent of SCPC to PSALM on December 2, 2009 for the 25 years lease of land. Long-term portion of the prepaid rent amounted to P80.87 million and P85.39 million in 2015 and 2014, respectively (see Note 28).

Computer software

Movements in computer software account follow:

	2015	2014
At Cost		
At January 1	P33,103,090	P29,784,459
Additions	2,803,293	3,318,631
At December 31	**35,906,383**	**33,103,090**
Accumulated Amortization		
At January 1	28,877,209	26,103,530
Amortization (Note 8)	2,252,917	2,773,679
At December 31	31,130,126	28,877,209
Net Book Value	**P4,776,257**	**P4,225,881**

Environmental guarantee fund

Environmental guarantee fund represents the funds designated to cover all costs attendant to the operation of the Multi-partite Monitoring Team of the Group's environmental unit.

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Others

Others include various types of deposits and prepaid taxes which are recoverable over more than one year.

Other Noncurrent Liabilities

Other noncurrent liabilities pertain to the retention contract payment that is being withheld from the contractors as guaranty for any claims against them. As of December 31, 2015 and 2014, retention payable amounted to P2.74 billion and P743.91 million, respectively (see Note 18).

12. Short-term Loans

Short-term loans represent various unsecured promissory notes from local banks with interest rates ranging from 1.20% to 2.50% and 1.13% to 2.50% in 2015 and 2014, respectively, and are payable within one year.

The carrying amount of these short-term loans as of December 31, 2015 and 2014 amounted to P2.99 billion and P1.22 billion, respectively.

The interest expense on these short-term loans recognized under "Finance Cost" amounted to P57.99 million, P63.34 million and P58.04 million in 2015, 2014 and 2013, respectively (see Note 22).

13. Long-term Debt

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

	2015	2014
Mortgage payable	P13,334,874,205	P14,268,877,410
Bank loans	3,215,734,398	3,933,732,375
	16,550,608,603	18,202,609,785
Less current portion of:		
Mortgage payable	3,224,034,097	1,903,701,350
Bank loans	1,966,693,303	210,184,000
	5,190,727,400	2,113,885,350
	P11,359,881,203	**P16,088,724,435**

Mortgage Payable

SLPGC

On February 4, 2012, SLPGC entered into an P11.50 billion Omnibus Loan Service Agreement with BDO Unibank, Bank of the Philippine Island (BPI) and China Banking Corporation (CBC) as Lenders. As security for the timely payment of the loan and prompt observance of all the provision of the Omnibus Agreement, the 67% of issued and outstanding shares of SLPGC owned by the Parent Company were pledged on this loan. The proceeds of the loan are used for the engineering, procurement and construction of 2x150 MW coal-fired thermal power plant.

Breakdown of the original principal of syndicated loan is as follows:

BDO	P6,000,000,000
BPI	3,000,000,000
CBC	2,500,000,000
	P11,500,000,000

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Details of the loan follow:

a. Interest: At applicable interest rate (PDST-F + Spread or BSP Overnight Rate, whichever is higher). Such interest shall accrue from and including the first day of each interest period up to the last day of such interest period. The Facility Agent shall notify all the Lenders of any adjustment in an interest payment date at least three banking days prior to the adjusted interest payment date.

b. Repayment: The principal amount shall be paid in twenty-seven equal consecutive quarterly installments commencing on the fourteenth quarter from the initial borrowing date. Final repayment date is ten (10) years after initial borrowing.

The loan had its first drawdown schedule on May 24, 2012 amounting to P550.00 million. In 2013, second and third drawdowns were made which amounted to P5.15 billion. In 2014, fourth to seventh drawdowns were made which amounted to P4.79 billion. In 2015, the eighth and final drawdown was made amounting to P1.01 billion, bringing the total to P11.50 billion. As of December 31, 2015 and 2014, outstanding loan payable is P11.13 billion and P10.06 billion, respectively.

Rollforward of the deferred financing cost follows:

	2015	2014
At January 1	P42,558,302	P25,936,242
Additions	5,056,860	23,935,952
Amortization	(10,655,954)	(7,313,892)
At December 31	**P36,959,208**	**P42,558,302**

Mortgage payable by SLPGC provide certain restrictions and requirements with respect to, among others, maintain and preserve its corporate existence, comply with all of its material obligations under the project agreements, maintain at each testing date a Debt-to-Equity ratio not exceeding two times, grant loans or make advances and disposal of major property. These restrictions and requirements were complied with by SLPGC as of December 31, 2015 and 2014.

Provision in the loan indicates that the borrower shall pay to the lenders, a commitment fee equivalent to one-half (1/2)% per annum of any portion of a scheduled drawdown amount that remains undrawn after the lapse of the relevant scheduled drawdown. As of December 31, 2015 and 2014, SLPGC has paid commitment fee amounting to P1.31 million and P4.88 million, respectively and these were recognized under the "Finance costs" account in the consolidated statements of comprehensive income.

SCPC

On May 20, 2010, SCPC entered into a P9.60 billion Omnibus Loan Security Agreement ("Agreement") with BDO, BPI and Philippine National Bank (PNB) as Lenders, the Parent Company as Pledgor, BDO Capital and Investment Corporation as Lead Arranger and Sole Bookrunner, BPI Capital Corporation and PNB Capital and Investment Corp. as Arrangers, and BDO Unibank, Inc., Trust and Investments Group as Security Trustee, Facility Agent and Paying Agent. The loan was fully drawn by SCPC on the same date.

Mortgage payable by SCPC was collateralized by all monies in the Collateral accounts, supply receivables, proceeds of any asset and business continuity insurance, project agreements and first-ranking mortgage on present and future real assets. Further, 67% of issued and outstanding shares in SCPC owned by the Parent Company were also pledged on this loan.

Breakdown of the original principal of syndicated loan is as follows:

BDO Unibank	P6,000,000,000
BPI	2,000,000,000
PNB	1,600,000,000
	P9,600,000,000

The Agreement was entered into to finance the payments made to PSALM pursuant to the Asset Purchase Agreement (APA) and Land Leased Agreement (LLA), and ongoing plant rehabilitation and capital expenditures.

Details of the loan follow:

a. Interest: At a floating rate per annum equivalent to the three (3) months Philippine Dealing System Treasury-Fixing (PDST-F) benchmark yield for treasury securities as published on the PDEx page of Bloomberg (or such successor electronic service provider) at approximately 11:30a.m. (Manila Time) on the banking day immediately preceding the date of initial borrowing or start of each interest period, as applicable, plus a spread of 175 basis points. Starting August 2015 amortization, interest is at floating rate per annum equivalent to three (3) months Philippine Dealing System Treasury Reference Rate PM (PDST-R2), plus a spread of 195 basis points.

b. Repayment: The principal amount shall be payable in twenty-five (25) equal consecutive quarterly installments commencing on the twelfth month from the initial borrowing date. Final repayment date is seven (7) years after initial borrowing. The loan may be prepaid voluntarily provided the conditions in the Omnibus Agreement are satisfied.

Rollforward of the deferred financing cost follows:

	2015	2014
At January 1	P17,191,598	P33,552,454
Amortization (Note 22)	(10,950,937)	(16,360,856)
At December 31	**P6,240,661**	**P17,191,598**

Amortization of debt finance cost recognized under "Finance cost" account in the consolidated statements of comprehensive income amounted to P10.95 million, P16.36 million and P21.75 million for the years 2015, 2014 and 2013, respectively (see Note 22).

In 2015 and 2014, the SCPC incurred interest expense on long-term debt amounting to P124.49 million and P143.20 million, respectively (see Note 22).

As of December 31, 2015 and 2014, outstanding loan payable is P2.30 billion and P3.82 billion, respectively.

As of December 31, 2015, there is no more available borrowing facility that can be drawn.

Local Bank Loans

Parent Company

Loan Type	Date of Availment	Outstanding Balance 2015	Outstanding Balance 2014	Maturity	Interest Rate	Payment Terms	Covenants'Collaterals
Dollar loan 1	2013	P–	P474,345,624	2016	Floating rate, aggregate of the margin (1.20%) and LIBOR, to be repriced every 3months to 6months	Interest payable in arrears for the relevant interest period and principal repayable in semi-annual installments commencing on the 12th month after the date of the Agreement until date of final maturity	Proceeds of the loan shall be used to refinance existing debts, and finance capital expenditure requirements Financial Covenants: Current Ratio not less than 1:1, Debt-Equity Ratio not exceeding 2:1, Debt-EBITDA Ratio not exceeding 3:1; compliant
Dollar loan 2	Various availments in 2013 and 2014	438,116,431	1,924,860,779	2016	Floating rate to be repriced every 3 months	Interest payable every 3 months, principal to be paid on maturity date	Proceeds of the loan will be used to finance capital expenditures and general corporate purposes Financial Covenants: Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1; compliant
Dollar loan 3	2014	1,317,680,000	1,462,344,000	2016	Floating rate to be repriced every 3 months	Interest payable every 3 months, principal to be paid on maturity date	Proceeds of the loan were restricted for capital expenditure requirements and refinancing of existing debts Financial Covenants: Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1; compliant
Dollar loan 4	2014	75,958,914	72,181,972	2016	Floating rate to be repriced every 3 months	Interest payable every 3 months, principal to be paid on maturity date	Unsecured loans Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1; compliant
Dollar loan 5	2015	1,383,979,053	–	2018	Floating rate to be repriced every 3 months	Interest payable every 3 months, principal to be paid on maturity date	Unsecured loans
		P3,215,734,398	**P3,933,732,375**				

Interest expenses on long-term debt recognized under "Finance Cost" amounted to P44.09 million, P53.57 million and P81.58 million in 2015, 2014 and 2013, respectively (see Note 22).

As of December 31, 2015, there is no more available borrowing facility that can be drawn.

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The maturities of long-term debt at nominal values as of December 31, 2015 and 2014 follow:

	2015	2014
Due in:		
2015	P–	P2,113,885,350
2016	5,190,727,400	6,798,902,915
2017	2,462,370,728	2,313,518,937
2018	2,945,721,719	6,976,302,583
2019	1,698,330,989	–
2020	1,700,042,952	–
2021	1,701,818,824	–
2022	851,595,991	–
	P16,550,608,603	**P18,202,609,785**

14. Trade and Other Payables

This account consists of:

	2015	2014
Trade:		
Payable to suppliers and contractors	P4,000,643,528	P4,579,969,287
Related parties (Note 18)	1,383,876,235	1,792,921,285
Payable to DOE and local government units (LGU) (Note 27)	1,121,541,027	1,134,628,349
Output VAT Payable	528,518,567	561,565,226
Accrued expenses and other payables (Note 18)	337,413,964	736,478,694
	P7,371,993,321	**P8,805,562,841**

Trade payable to suppliers and contractors

Trade payable to contractors arises from progress billings of completed work. Trade payables to suppliers and contractors include liabilities amounting to P609.90 million (US$12.96 million) and P975.79 million (US$21.82 million) as of December 31, 2015 and 2014, respectively, to various foreign suppliers for open account purchases of equipment and equipment parts and supplies.

Trade payables are noninterest-bearing and are normally settled on 30- to 60-day credit terms.

Payable to DOE and LGU

Payable to DOE and LGU represent the share of DOE and LGU in the gross revenue of the Parent Company's coal production computed in accordance with the Coal Operating Contract (COC) between the Parent Company, DOE and LGU dated July 11, 1977 and as amended on January 16, 1981 (see Note 27).

Output VAT payable

Output VAT pertains to the VAT due on the sale of electricity net of input VAT.

Accrued expenses and other payables

Details of the accrued expenses and other payables account follow:

	2015	2014
Taxes, permits and licenses	P186,894,959	P66,584,849
Interest	58,860,871	61,382,584
Dredging services	17,764,371	68,773,000
Salaries and wages	12,488,933	54,155,556
Financial benefit payable	8,832,874	17,715,823
Rental (Note 18)	7,187,400	266,511,787
Professional fees	2,172,907	3,444,936
Spot purchase	–	37,153,333
Shipping cost	–	7,386,515
Others	43,211,649	153,370,311
	P337,413,964	**P736,478,694**

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

Others

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

15. Provision for Decommissioning and Site Rehabilitation

	2015	2014
At January 1	P175,295,942	P196,504,051
Additions (Note 8)	285,013,181	–
Effect of change in estimates (Note 8)	56,992,919	(18,509,876)
Actual usage	(10,996,190)	(10,388,161)
Accretion of interest (Note 22)	7,395,580	7,689,928
At December 31	**P513,701,432**	**P175,295,942**

Discount rates used by the Group to compute for the present value of liability for decommissioning and site rehabilitation cost range from 4.81% to 5.24% and 3.86% to 8.77% in 2015 and 2014, respectively.

Additions pertain to the provision for decommissioning and site rehabilitation are for Narra and Molave mine sites. On 2015, the Parent Company performed commissioning activities on Narra Minesite and is expected to perform such activities to Molave Minesite. The Parent Company is expecting to rehabilitate 678 hectares and 930 hectares areas of land for Narra and Molave, respectively, in the next 15 years.

Effect of changes in estimates pertains to the effect of changes in the total area of land to be rehabilitated in Panian Minesite and changes in discount rates based on relative prevailing rates as of reporting date.

16. Capital Stock

The details of the Parent Company's capital stock as of December 31, 2015 and 2014 are as follows:

	2015	
	Shares	Amount
Capital stock - P1 par value		
Authorized	3,000,000,000	P3,000,000,000
Issued and outstanding		
Balance at beginning and end of year	**1,068,750,000**	**1,068,750,000**

	2014	
	Shares	Amount
Capital stock - P1 par value		
Authorized	3,000,000,000	P3,000,000,000
Issued and outstanding		
Balance at beginning of year	356,250,000	356,250,000
Stock dividend declared (Note 17)	712,500,000	712,500,000
	1,068,750,000	**P1,068,750,000**

On November 28, 1983, the SEC approved the issuance and public offering of 55.00 billion common shares of the Parent Company at an offer price of P0.01 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 P36.00 per share.

On August 18, 2014, SEC approved the increase in authorized capital stock of the Parent Company from P1.00 billion to P3.00 billion divided into 3.00 billion common shares with a par value of P1 per share.

As of December 31, 2015, the Parent Company has 1,068.75 million common shares issued and outstanding which are owned by 677 shareholders.

The Parent Company's track record of capital stock is as follows:

	Number of shares registered	Issue/offer price	Date of approval	Number of holders as of yearend
At January 1, 2001	1,630,970,000	P1/share		
Add (deduct):				
Additional issuance	19,657,388	P1/share	July 2, 2004	
Conversion of preferred shares to common shares	225,532	P1/share	July 2, 2004	
Decrease in issued and outstanding common share from capital restructuring	(1,625,852,920)			
Share dividends	225,000,000	P1/share	July 2, 2004	
Public offering additional issuance	46,875,000	P36/share	February 4, 2005	
December 31, 2010	296,875,000			632
Add: Share rights offering	59,375,000	P74/share	June 10, 2010	7
December 31, 2011	356,250,000			639
Add: Movement	–			24
December 31, 2012	356,250,000			663
Add: Movement	–			–
December 31, 2013	356,250,000			663
Add: Stock dividends	712,500,000		August 22, 2014	5
December 31, 2014	1,068,750,000			668
Add: Movement	–			9
December 31, 2015	**1,068,750,000**			**677**

17. Retained Earnings

Retained earnings amounting to P19.19 billion and P14.98 billion as of December 31, 2015 and 2014, respectively. The amounts include the accumulated equity in undistributed net earnings of subsidiaries which are not available for dividends until declared by the subsidiaries.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2015 amounted to P7.70 billion.

Cash Dividends

On April 22, 2015, the BOD authorized the Parent Company to declare and distribute cash dividends of P4.00 per share or P4.28 billion to stockholders of record as of May 7, 2015. The said cash dividends were paid on May 20, 2015.

On April 29, 2014, the BOD authorized the Parent Company to declare and distribute cash dividends of P12.00 per share or P4.28 billion to stockholders of record as of May 15, 2014. The said cash dividends were paid on May 28, 2014.

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On April 30, 2013, the BOD authorized the Parent Company to declare and distribute cash dividends of P12.00 per share or P4.28 billion to stockholders of record as of May 17, 2013. The said cash dividends were paid on May 29, 2013.

Stock Dividends

On May 5, 2014, the stockholders of the Parent Company approved the 200% stock dividends amounting to P712.50 million, divided into 712.50 million shares at the par value of P1.00 per share, or two (2) common shares for every one common share held, from the unrestricted retained earnings of the Parent Company as of December 31, 2013, and to be issued from the increase in the authorized capital stock of the Parent Company. On August 22, 2014, SEC approved and fixed the record date on September 8, 2014.

Appropriations

On November 11, 2015, the BOD approved the appropriation of P3.00 billion from the unappropriated retained earnings as of December 31, 2015 to be used for the Phase 2 power plant expansion project of its wholly-owned subsidiary, Southwest Luzon Power Generation Corporation. The power plant expansion is expected to be completed in the third quarter of 2016.

On August 8, 2013, the BOD of the Parent Company approved the appropriation of P1.60 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).

On March 12, 2013, the BOD of the Parent Company ratified the remaining P700.00 million appropriation to partially cover new capital expenditures for the Group's mine operation for the years 2013 to 2015.

18. Related Party Transactions

The Group in its regular conduct of business has entered into transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture. The Group has affiliates under common control of DMCI-HI and Dacon Corporation.

Except as indicated otherwise, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

The significant transactions with related parties follow:

	2015			
	Amount/ Volume	Receivable (Payable)	Terms	Conditions
Trade receivables (see Note 5)				
Entities under common control				
a.) Transfer of materials, services and reimbursement of shared expenses	P40,923,381	P68,830,272	non-interest bearing, due and demandable	Unsecured, no impairment
Advances to contractors - noncurrent (see Note 11)				
Entities under common control				
b.) Deposit for services	P42,267,857	P42,267,857	non-interest bearing, due and demandable	Unsecured, no impairment
c.) Construction and outside services	659,749,677	756,442,697	non-interest bearing, recoupment	Unsecured, no impairment
	P702,017,534	**P798,710,554**		
Trade payables (see Note 14)				
Entities under common control				
a.) Reimbursement of shared expenses	P702,141	(P702,141)	30 days, non-interest bearing	Unsecured
d.) Operation and maintenance fees	324,000,000	(39,271,558)	30 days, non-interest bearing	Unsecured
e.) Coal handling services	370,324,932	(101,740,918)	30 days, non-interest bearing	Unsecured
f.) Mine exploration and hauling services	916,403,369	(1,340,292)	30 days, non-interest bearing	Unsecured
g.) Construction and other outside services	1,783,916,987	(2,024,579,844)	30 days, non-interest bearing	Unsecured
h.) Purchases of office supplies and refreshments	6,645,198	(700,418)	30 days, non-interest bearing	Unsecured
i.) Office, parking and warehouse rental expenses	7,990,559	(2,104,480)	30 days, non-interest bearing	Unsecured
j.) Aviation services	246,589	(12,725,108)	30 days, non-interest bearing	Unsecured
k.) Arrastre and Cargo Services	773,840	(773,840)		

Notes to Consolidated Financial Statements

	2015			
	Amount/ Volume	Receivable (Payable)	Terms	Conditions
Other noncurrent liabilities (see Note 11)				
Entities under common control				
l.) Retention payable	74,053,021	(698,767,351)	non-interest bearing	Unsecured
	P3,485,056,636	**(P2,882,705,950)**		

	2014			
	Amount/Volume	Receivable (Payable)	Terms	Conditions
Trade receivables (see Note 5)				
Entities under common control				
a.) Transfer of materials, services and reimbursement of shared expenses	P63,875,437	P66,834,060	non-interest bearing, due and demandable	Unsecured, no impairment
e.) Advances for coal handling services	2,315,635	287,806	non-interest bearing, due and demandable	Unsecured, no impairment
	P66,191,072	P67,121,866		
c) Construction and outside services	P–	P190,726,903	non-interest bearing, recoupment	Unsecured, no impairment
Trade payables (see Note 14)				
Entities under common control				
d.) Operation and maintenance fees	P324,000,000	(P39,264,558)	30 days, non-interest bearing	Unsecured
e.) Coal handling services	71,474,732	(10,262,460)	30 days, non-interest bearing	Unsecured
f.) Mine exploration and hauling services	157,477,279	(154,705,292)	30 days, non-interest bearing	Unsecured
g.) Construction and other outside services	602,033,230	(1,572,951,441)	30 days, non-interest bearing	Unsecured
h.) Purchases of office supplies and refreshments	3,492,708	(1,022,930)	30 days, non-interest bearing	Unsecured
i.) Office, parking and warehouse rental expenses	5,484,428	(1,992,807)	30 days, non-interest bearing	Unsecured
j.) Aviation services	7,037,467	(12,721,797)	30 days, non-interest bearing	Unsecured
	P1,170,999,844	**(P1,792,921,285)**		

	2014			
	Amount/Volume	Receivable (Payable)	Terms	Conditions
Accrued expenses and other payables (see Note 14)				
Entities under common control				
m.) Rental of equipment	P266,511,787	(P266,511,787)	non-interest bearing	Unsecured
Other noncurrent liabilities (see Note 11)				
Entities under common control				
l.) Retention payable	P117,113,822	(P330,345,677)	non-interest bearing	Unsecured

a. Services rendered, deliveries of goods and reimbursement of expenses advanced by the Group. Nature of these transactions are as follow:

- Due from DMCI Power Corporation (DMCI-PC) pertains to materials issuances, contracted services and various services provided by the Parent Company.
- Due from DMCI Mining Corporation (DMCI-MC) pertains to the contracted services incurred by DMCI-MC during the year, which are initially paid by the Parent Company.
- SCPC made advances to DMCI for the ongoing construction project and charges SJBHI for the share on the rental expenses of the office space being occupied by the latter for administrative purposes.
- Due from DMCI Masbate Power Corporation (DMCI-MPC) pertains to the security contracted services incurred during the year, which are initially paid by the Parent Company.
- DMCI-PDI provides rental of activity hall to the Parent Company.
- Due from M®S Company, Inc. (M®S) pertains to advanced payments made by the Parent Company for material and other supplies.

All outstanding balances from subsidiary and affiliates are included in receivables under "Trade receivable - related parties" in the consolidated statements of financial position

b. The Group made advances to DMCI for the ongoing construction project for which the balance is included in "Advances to suppliers" account (see Note 7).

c. D.M. Consunji, Inc. (DMCI) was engaged by SLPGC in the construction of the 2x150MW coal-fired power plant. Billings of DMCI was charged to "Construction in progress" account. As of December 31, 2015 and 2014, advances to contractors amounting P756.44 million and P199.73 million is classified under "Advances to suppliers and others" in the consolidated statements of financial position (see Note 7).

d. SCPC engaged DMCI Power Corporation (DMCI Power), an entity under common control of DMCI-HI, for the management, operation and maintenance of the power plant. The agreement was entered into in 2011 and is effective for a period of 10 years from January 1, 2011 and maybe renewed for another 10 years. On January 2, 2014, the agreement was amended by the two parties. The outstanding balances due to DMCI Power are included in the "Trade payable - related parties" account in the consolidated statements of financial position (see Note 14).

e. SCPC and SLPGC entered into a voyage charter agreement with DMC Construction Equipment and Resources, Inc. (DMC CERI). Freight costs charged by DMC CERI are offset against the commissioning revenue for coal inventories that were consumed during the year and in the "Coal inventory" account for the remaining as of year-end. The outstanding balances due to DMC CERI are included in the "Trade payable - related parties" account in the consolidated statements of financial position (see Note 14).

Notes to Consolidated Financial Statements

In 2015, SLPGC hired St. John Bulk Handlers, Inc. (SJBHI) for its coal handling services. Cost of coal handling services provided by SJBHI are offset against the commissioning revenue and the outstanding balance are included in the "Trade payable - related parties" account in the consolidated statements of financial position (see Note 14).

In 2014, SCPC has entered into coal handling services agreement with St. John Bulk Handlers, Inc. (SJBHI). Coal handling services provided by SJBHI are included in the "Cost of energy sales" of SCPC and outstanding balance of are included in the "Trade payable - related parties" account in the consolidated statements of financial position (see Note 14).

f. DMC-CERI had transactions with the Parent Company for services rendered relating to the Parent Company's coal operations. These include services for the confirmatory drilling for coal reserve and evaluation of identified potential areas, exploratory drilling of other minerals within Semirara Island, dewatering well drilling along cut-off wall of Panian mine and fresh water well drilling for industrial and domestic supply under an agreement. Expenses incurred for said services are included in cost of sales under "Outside services" in the consolidated statements of comprehensive income (see Note 20).

DMC-CERI also provides the Parent Company marine vessels for use in the delivery of coal to its various customers. The coal freight billing is on a per metric ton basis plus demurrage charges for delays in loading and unloading of coal cargoes. Expenses incurred for these services are included in cost of sales under "Hauling and shiploading costs" in the consolidated statements of comprehensive income (see Note 20).

Furthermore, DMC-CERI provides the Parent Company labor services relating to coal operations including those services rendered by consultants. Expenses incurred for said services are included in cost of sales under "Direct labor" in the consolidated statements of comprehensive income (see Note 20).

Labor costs related to manpower services rendered by DMC-CERI represent actual salaries and wages covered by the period when the services were rendered to Parent Company in its coal operations. Under existing arrangements, payments of said salaries and wages are given directly to personnel concerned.

All outstanding balances to DMC-CERI are included in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position (see Note 14).

g. The Group contracted DMCI for the construction of its 1 x 15 MW Power Plant located at Semirara Island. Also, the Group engaged the service of DMCI for the construction of various projects such as the construction of 2 x 150 MW coal-fired power plants in Batangas, on-going rehabilitation of existing power plant, and other constructions in compliance with its Corporate Social Responsibility (CSR) such as construction of covered tennis courts, track and field, perimeter fence and others. All outstanding balances to DMCI are lodged in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position. (see Note 14)

h. The Group engaged Prominent Fruits, Inc. and Sirawi Plywood ® Lumber Corp. to supply various raw materials, office supplies and refreshments. The outstanding balance to Prominent Fruits, Inc. and Sirawai Plywood ® Lumber Corp. is lodged in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position (see Note 14).

i. In 2015 and 2014, DMC Urban Property Developers, Inc. (DMC-UPDI) and Asia Industries Inc. had transactions with the Group representing long-term lease on office space and other transactions rendered to the Parent Company necessary for the coal operations. Office rental expenses are included in cost of sales under "Outside services" in the consolidated statements of comprehensive income (see Note 20). The outstanding balance to DMC-UPDI is lodged in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position (see Note 14).

j. Royal Star Aviation Inc. transports the Parent Company's visitors and employees from Manila to Semirara Island and *vice versa* and bills the related party for the utilization costs of the aircrafts. The related expenses are included in cost of sales under "Production overhead" in the consolidated statements of comprehensive income (see Note 20).

   The outstanding balance to Royal Star Aviation, Inc. is lodged in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position (see Note 14).

k. In 2015, Vincent Arrastre and Cargo Services, Inc. had transactions with the Parent Company for shipsiding services. The outstanding balance to Vincent Arrastre and Cargo Services, Inc. is lodged in trade and other payables under "Trade payables - related parties" in the consolidated statements of financial position (see Note 14).

l. In 2015, SCPC and SLPGC have retention payable to DMCI which represents amounts withheld from payments to contractors as guaranty for any claims against them. These are noninterest-bearing and will be remitted to contractors at the end of the contracted work. Outstanding balances are lodged under "Other noncurrent liabilities" in the consolidated statements of financial position (see Note 14).

m. In 2014, the Parent Company has leased land, certain equipment and office space from DMCI and DMCI-CERI. The Parent Company accrued the related charges from rental of said properties.

Terms and conditions of transactions with related parties

There have been no guarantees and collaterals provided or received for any related party receivables or payables. These accounts are noninterest-bearing and are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. As of December 31, 2015 and 2014, there were no impairment losses recognized on related party balances.

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

	2015	2014
Short-term employee benefits	P159,419,894	P129,866,061
Post-employment benefits	–	4,016,476
	P159,419,894	**P133,882,537**

There are no other agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plan.

19. Pension Plan

The Group has a funded, noncontributory defined benefit plan covering substantially all of its regular employees. The date of the latest actuarial valuation is December 31, 2015.

The Group accrues retirement costs (included in "Pension liabilities" in the consolidated statements of financial position) based on an actuarially determined amount using the projected unit credit method.

The funds are administered by a trustee bank under the supervision of the BOD of the plan. The BOD is responsible for the investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of the significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plan's objectives, benefit obligation and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The Board of Directors delegates the implementation of the investment policy in accordance with the investment strategy as well as various principles and objectives to an Investment Committee, which also consists of members of the BOD, Vice-President for Treasury and Chief Finance Officer. The Vice-President for Treasury and Chief Finance Officer oversee the entire investment process.

Notes to Consolidated Financial Statements

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Provisions for pension liabilities are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary.

There are no plan amendments, curtailments or settlements.

The cost of defined benefit pension plans and the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension liabilities for the defined benefit plan are shown below:

	2015	2014	2013
Discount rate	5.27% - 6.36%	4.82% - 5.67%	5.07%
Salary increase rate	3.00%	3.00%	3.00%

The following table summarizes the components of pension expense in the consolidated statements of comprehensive income:

	2015	2014	2013
Current service cost	P16,657,360	P15,635,036	P18,225,767
Interest expense related to the defined benefit liability	6,611,027	5,197,340	4,722,795
Interest income related to plan assets	(3,876,122)	(3,547,507)	(3,008,719)
	P19,392,265	**P17,284,869**	**P19,939,843**

The above pension expense is included in operating expenses under "Personnel costs" in the consolidated statements of comprehensive income (see Note 21).

The following tables provide analyses of the movement in the defined benefit liability, fair value of plan assets and pension liabilities recognized on consolidated statements of financial position:

	2015	2014
Defined benefit liability at beginning of year	P118,014,431	P104,036,133
Current service cost	16,657,360	15,635,036
Interest expense	6,611,027	5,197,340
Remeasurement of defined benefit liability:		
Arising from changes in financial assumptions	(3,705,892)	(3,231,394)
Experience gains (losses)	25,366,613	11,967,619
Benefits directly paid by the Group	(5,780,005)	(10,749,863)
Benefits paid from plan asset	(1,245,182)	(4,840,440)
Defined benefit liability at end of year	**P155,918,352**	**P118,014,431**

	2015	2014
Fair value of plan assets at beginning of year	P68,984,538	P72,390,771
Return on plan assets (excluding amounts included in interest income)	(2,679,904)	(2,113,300)
Interest income	3,876,122	3,547,507
Benefits paid - paid directly by the Group	(1,245,182)	(4,840,440)
Fair value of plan assets at end of year	**P68,935,574**	**P68,984,538**

	2015	2014
Net pension liability at beginning of year	P49,029,893	P31,645,362
Net periodic pension cost	19,392,265	17,284,869
Amounts recognized in other comprehensive income	24,340,625	10,849,525
Benefit payments	(5,780,005)	(10,749,863)
Net pension liability at end of year	**P86,982,778**	**P49,029,893**

The Group does not expect any contribution into the pension fund in 2015.

The composition and fair value of plan assets as at the end of reporting date are as follows:

	2015	2014
Cash and cash equivalents	P3,384,528	P779,525
Equity instruments		
Financial institutions	5,490,000	5,042,770
Debt instruments		
Government securities	47,059,505	44,860,645
Not rated debt securities	11,983,783	11,899,833
Interest receivable	1,017,758	6,401,765
Fair value of plan assets	**P68,935,574**	**P68,984,538**

Trust fee in 2015 and 2014 amounted to P34,013 and P35,878, respectively.

The composition of the fair value of the Fund includes:

Cash and cash equivalents - include savings and time deposit with banks and special deposit account with Bangko Sentral ng Pilipinas

Investment in equity securities - includes investment in common and preferred shares traded in the Philippine Stock Exchange

Investment in debt securities - government securities - include investment in Philippine Retail Treasury Bonds and Fixed Rate Treasury Notes

Investments in debt securities - not rated - include investment in long-term debt notes and retail bonds

Interest receivables - pertain to interest and dividends receivable on the investments in the fund

Notes to Consolidated Financial Statements

The management performs a study of how to match its existing assets versus the pension liabilities to be settled. The overall investment policy and strategy of the Group's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plan. The Group's current guiding strategic investment strategy consists of 82% of debt instruments, 7% of equity instruments and 11% others.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit liability as of the end of reporting date, assuming if all other assumptions were held constant:

	2015		2014	
	Increase (Decrease)	Effect on Defined Benefit Liability	Increase (Decrease)	Effect on Defined Benefit Liability
Discount rates	+0.5% to 1%	(P5,359,754)	+0.5% to 1%	(P3,293,497)
	-0.5% to 1%	**5,977,391**	**-0.5% to 1%**	**3,628,306**
Future salary increases	+1%	5,150,821	+1%	4,859,667
	-1%	**(4,732,272)**	**-1%**	**(4,448,436)**

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

	2015	2014
Less than 1 year	P43,117,743	P32,146,458
More than 1 year to 5 years	24,366,519	18,774,851
More than 5 years to 10 years	66,153,865	48,207,917
	P133,638,127	**P99,129,226**

The Group has no other transactions with the fund.

20. Cost of Sales

Cost of coal sales consists of:

	2015	2014	2013
Materials and supplies (Note 18)	P3,024,001,394	P3,897,257,081	P3,025,232,354
Fuel and lubricants	1,163,408,917	2,991,475,911	2,453,660,298
Outside services (Note 18)	695,999,390	1,075,701,964	739,853,180
Depreciation and amortization (Notes 8 and 11)	519,842,448	822,278,521	1,114,654,804
Direct labor (Note 18)	446,316,290	577,879,037	502,288,609
Production overhead (Note 18)	335,423,295	423,809,451	372,852,892
Cost of coal (Note 6)	6,184,991,734	9,788,401,965	8,208,542,137
Hauling and shiploading costs (Note 18)	202,827,731	439,609,474	456,329,361
	P6,387,819,465	**P10,228,011,439**	**P8,664,871,498**

Cost of power sales consists of:

	2015	2014	2013
Coal	P2,679,503,585	P2,499,389,790	P3,761,855,398
Depreciation (Note 8)	1,006,345,938	926,330,084	1,015,838,969
Coal handling expense (Note 18)	110,269,630	73,718,525	3,868,304
Energy spot purchases	107,406,243	4,778,979,591	229,196,883
Bunker	93,581,560	255,037,688	230,027,758
Market fees	59,041,865	39,485,318	54,891,500
Lube	40,993,979	27,747,305	42,361,584
Diesel	38,503,060	97,291,733	79,255,223
Imported coal	–	–	22,785,241
Others	18,627,044	1,495,068	5,543,770
	P4,154,272,904	**P8,699,475,102**	**P5,445,624,630**

The cost of coal on power sales consists of:

	2015	2014	2013
Materials and supplies (Note 18)	P1,268,480,210	P952,361,524	P1,240,351,874
Fuel and lubricants	488,016,040	731,018,380	1,151,390,027
Depreciation and amortization (Notes 8 and 11)	291,951,404	262,866,200	470,558,388
Outside services (Note 18)	218,058,715	200,937,841	350,983,612
Direct labor (Note 18)	187,216,640	141,214,641	165,560,645
Hauling and shiploading costs (Note 18)	85,080,306	107,426,105	244,635,094
Production overhead (Note 18)	140,700,270	103,565,099	138,375,758
	P2,679,503,585	**P2,499,389,790**	**P3,761,855,398**

Notes to Consolidated Financial Statements

21. Operating Expenses

	2015	2014	2013
Government share (Note 27)	P1,796,046,847	P1,858,189,613	P1,304,961,185
Provision for doubtful accounts (Note 5)	925,151,745	–	443,650,080
Operation and maintenance (Note 18)	324,559,835	328,296,434	379,359,691
Personnel costs (Notes 18 and 19)	295,467,153	275,249,168	204,402,527
Taxes and licenses	283,992,995	198,611,913	230,472,304
Office expenses (Note 18)	133,046,584	126,335,538	104,302,257
Repairs and maintenance	121,330,131	104,316,433	648,067,215
Insurance and bonds	92,418,625	71,826,559	59,270,251
Professional fees	70,634,134	50,152,727	42,424,740
Entertainment, amusement and recreation	56,042,490	43,298,078	23,676,815
Depreciation (Note 8)	43,246,105	51,655,398	1,162,179,465
Transportation and travel	31,207,300	28,687,926	21,248,174
Provision for inventory obsolescence (Note 6)	20,902,458	–	–
Loss on disposal and write-down of property, plant and equipment (Note 8)	16,087,500	110,976	449,910,879
Marketing	6,315,763	13,918,905	40,214,509
Others	172,634,820	70,349,709	150,377,541
	P4,389,084,485	**P3,220,999,377**	**P5,264,517,633**

Others pertain to various expenses such as advertising and utilities.

22. Finance Costs

	2015	2014	2013
Interest on:			
Long-term debt (Note 13)	P168,578,574	P196,770,666	P256,780,451
Amortization of debt issuance cost (Note 13)	10,950,937	16,360,856	21,751,583
Short-term loans (Note 12)	57,987,231	63,337,130	58,036,103
Accretion of cost of decommissioning and site rehabilitation (Note 15)	7,395,580	7,689,928	867,006
Bank charges	33,275,592	39,069,744	43,794,200
	P278,187,914	**P323,228,324**	**P381,229,343**

Notes to Consolidated Financial Statements

23. Finance Income

	2015	2014	2013
Interest on:			
Cash in banks (Note 4)	P22,091,022	P5,178,605	P7,103,842
Cash equivalents (Note 4)	25,796,786	29,146,795	6,667,777
Investment in sinking fund (Note 9)	8,992,559	6,671,014	12,173,043
Others	683,382	456,354	859,904
	P57,563,749	**P41,452,768**	**P26,804,566**

24. Other Income

	2015	2014	2013
Recoveries from insurance claims	P161,195,903	P82,552,158	P10,632,170
Sale of fly ash	133,118,624	113,478,322	203,180,188
Gain on sale of equipment (Note 8)	76,461,975	336,750	135,073
Commissioning income	58,327,356	–	–
Reversal of allowance for impairment losses (Note 11)	10,683,653	–	61,549,364
Miscellaneous	891,119	9,121,503	5,711,963
	P440,678,630	**P205,488,733**	**P281,208,758**

Recoveries from insurance claims

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

Miscellaneous

Miscellaneous income includes revenue derived from selling excess electricity produced by the Group to the neighboring communities.

25. Income Tax

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

	2015	2014
Current	P995,397,884	P–
Final	10,713,827	8,116,083
Deferred	175,972,220	(560,983,213)
	P1,182,083,931	**(P552,867,130)**

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in the consolidated statements of comprehensive income follows:

	2015	2014
Statutory income tax rate	30.00%	30.00%
Adjustments for:		
Nondeductible expense	0.08	–
Nondeductible interest expense	0.05	0.03
Movement in unrecognized deferred tax assets	7.62	15.02
Interest income already subject to final tax at a lower rate	(0.04)	(0.04)
Tax-exempt income	(25.48)	(53.77)
Effective income tax rate	**12.23%**	**(8.76%)**

The components of net deferred tax assets as of December 31, 2015 and 2014 follow:

	2015	2014
Allowance for impairment losses	P413,361,049	P7,792,467
Unrealized foreign exchange loss	43,267,396	16,330,527
Accrual of pension obligation	27,183,716	15,797,851
Allowance for inventory obsolescence	19,846,439	13,575,917
Allowance for doubtful accounts	19,668,863	10,667,588
Various accruals	6,990,107	–
Provision for decommissioning and site rehabilitation	2,675,078	2,265,116
MCIT	2,042,359	–
NOLCO	509,811	637,765,958
	P535,544,818	**P704,195,424**

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

Parent Company

Year Incurred	Amount	Expiry Year
2015	P2,455,567,304	2018
2014	4,878,525,474	2017
2013	3,440,456,777	2016
	P10,774,549,555	

SLPGC

Year Incurred	Amount	Expiry Year
2014	P12,869,915	2017
2013	48,074,547	2016
	P60,944,462	

Notes to Consolidated Financial Statements

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

SEUI

Year Incurred	Amount	Expiry Year
2015	139,173	2018
2014	131,010	2017
2013	100,500	2016
	P370,683	

SCI

Year Incurred	Amount	Expiry Year
2015	P351,212	2018
2014	201,915	2017
	P553,127	

Board of Investments (BOI) Incentives

Parent Company

On September 26, 2008, the BOI issued in favor of the Parent Company a Certificate of Registration as an Expanding Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987. Pursuant thereto, the Parent Company shall be entitled to the following incentives, among others:

a. Income tax holiday (ITH) for six (6) years from September 2008 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. For purposes of availment of ITH, a base figure of 2,710,091 MT representing the Parent Company's average sales volume for the past three (3) years prior to the expansion shall be used.

   The Parent Company shall initially be granted a four (4) year ITH. The additional two (2) year ITH shall be granted upon submission of completed or on-going projects in compliance with its CSR, which shall be submitted before the lapse of its initial four (4) year ITH. The Parent Company's ITH of 6 years lapsed in September 2014.

   On May 1, 2014, BOI approved the Parent Company's additional year of ITH entitlement from September 2014 to September 2015. On August 12, 2014, BOI approved the Parent Company's additional year of ITH entitlement from September 2015 to September 2016.

b. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from the date of registration. The president, general manager and treasurer of foreign-owned registered companies or their equivalent shall not be subject to the foregoing limitations.

   Date of filing: Application shall be filed with the BOI Incentives Department before assumption to duty of newly hired foreign nationals and at least one (1) month before expiration of existing employment for renewal of visa.

c. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

   On August 19, 2009, the BOI granted the Parent Company's request for a reduced base figure from 2,710,091 MT to 1,900,000 MT representing the average sales volume for the past eight (8) years (2000 to 2007) prior to registration with BOI.

   The Parent Company availed of tax incentive in the form of ITH on its income under registered activities amounting to P2.29 billion, P2.69 billion and P1.48 billion in 2015, 2014 and 2013, respectively.

SCPC

On April 19, 2010, SCPC was registered with the BOI as New Operator of the 600-MW Calaca Coal-Fired Power Plant on a Non-Pioneer Status in accordance with the provisions of the Omnibus Investments Code of 1987. In accordance with its registration, SCPC shall be entitled to, among others, an ITH for four (4) years from April 2011 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH incentives shall be limited to the revenue generated from the sales of electricity of the 600 MW Batangas Coal-Fired Thermal Power Plant.

On January 7, 2011, BOI approved SCPC's request for an earlier application of the ITH to be effective January 1, 2010.

On December 17, 2013, BOI approved SCPC's request for the extension for one (1) year of the ITH for the period January 1 to December 31, 2014.

SCPC availed of tax incentive in the form of ITH on its income under registered activities amounting at nil and P1.22 billion in 2015 and 2014, respectively.

SLPGC

On June 21, 2012, the application for registration of SLPGC as new operator of 300 MW (Phase 1) Batangas Coal Fired Power Plant on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226) was approved. Pursuant thereto, SLPGC shall be entitled to the following incentives, among others:

a. ITH for four (4) years from January 2015 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration;

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

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

d. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; and

Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

On June 19, 2015, SLPGC wrote the BOI informing the latter of the delay in the start of commercial operations of Units 1 & 2 of the 2x150 MW CFB Fired Power Plant Project citing as reason the delay in the substation interconnection of the plant due to legal and commercial issues between and among the National Power Corporation, National Transmission Corporation, First Gas Power Corporation, MERALCO, PSALM and National Grid Corporation.

On July 2, 2015 the BOI replied that the BOI may grant a request for deferment of start of commercial operations with justifiable cause for a maximum of one (1) year. The BOI may also grant a second request for deferment for six (6) months provided that the reason for the second request is different from the first. However failure to start commercial operations as committed in a second request shall be a ground for automatic cancellation of registration without prejudice to filing a new application for registration.

On February 16, 2016, SLPGC informed the BOI that testing and commission commenced shortly after the interconnection issue was resolved on July 16, 2015. In said letter SLPGC formally requested the BOI for extension for the six (6) months or up to June 2016.

26. Basic/Diluted Earnings Per Share

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

	2015	2014	2013
Net income	P8,486,909,081	P6,861,294,479	P7,519,591,282
Divided by the weighted average number of common shares outstanding	1,068,750,000	1,068,750,000	1,068,750,000
Basic/diluted earnings per share	P7.94	P6.42	P7.04

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorization of these consolidated financial statements.

27. Coal Operating Contract with DOE

On July 11, 1977, the Government, through its former Energy Development Board, awarded a 35-year COC to a consortium led by Vulcan Industrial & Mineral Exploration Corporation and Sulu Sea Oil Development Corporation that subsequently assigned said COC to then Semirara Coal Corporation, now the Parent Company on April 7, 1980. On July 27, 1977, Presidential Decree (PD) 972 was amended by PD 1174: (a) increasing coal operators' maximum cost recovery from an amount not exceeding 70% to 90% of the gross proceeds from production, and (b) increasing the amount of a special allowance for Philippine corporations from an amount not exceeding 20% to 30% of the balance of the gross income, after deducting all operating expenses. As a result, the Parent Company's COC was subsequently amended on January 16, 1981 reflecting said changes.

On June 8, 1983, the Ministry of Energy (now DOE), issued a new COC to the Parent Company, incorporating the foregoing assignment and amendments. The COC gives the Parent Company the exclusive right to conduct exploration, development and coal mining operations on Semirara Island until July 13, 2012. On May 13, 2008, the DOE granted the Parent Company's request for an extension of its COC for another 15-year or until July 14, 2027.

On November 12, 2009, the COC was amended further, expanding its contract area to include portions of Caluya and Sibay Islands, Antique, covering an additional area of 5,500 hectares and 300 hectares, respectively.

On April 29, 2013, the DOE issued a new COC to the Parent Company granting the Parent Company the exclusive right to conduct exploration, development and coal mining operations in the municipality of Bulalacao, province of Oriental Mindoro, up to a maximum of 36 years from its effective date. The COC covers two coal-bearing parcels of land covering areas of 2,000 and 5,000 hectares, respectively.

On June 7, 2013, the DOE issued a new COC to the Parent Company granting the Parent Company the exclusive right to conduct exploration, development and coal mining operations in the municipalities of Maitum and Kiamba, province of Sarangani, up to a maximum of 36 years from its effective date. The COC covers a coal-bearing parcel of land covering area of 5,000 hectares.

In return for the mining rights granted to the Parent Company, the Government is entitled to receive annual royalty payments consisting of the balance of the gross income after deducting operating expenses, operator's fee and special allowance. The Parent Company's provision for DOE's share under this contract and to the different LGU in the province of Antique, under the provisions of the Local Government Code of 1991, amounted to P1.80 billion, P1.86 billion and P1.30 billion in 2015, 2014 and 2013, respectively, included under "Operating expenses" in the consolidated statements of comprehensive income (see Note 21). The liabilities, amounting to P1.12 billion and P1.13 billion as of December 31, 2015 and 2014 are included under the "Trade and other payables" account in the consolidated statements of financial position (see Note 14).

The DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by the Parent Company to feed its power plant in determining the amount due to DOE.

Notes to Consolidated Financial Statements

28. Contingencies and Commitments

SCPC

a. Provision for billing disputes

On October 20, 2010, SCPC filed a Petition for dispute resolution ("Petition") before the Energy Regulatory Commission (ERC) against NPC and PSALM involving over-nominations made by NPC during the billing periods January to June 2010 beyond the 169,000 kW Manila Electric Company (MERALCO) allocation of SCPC, as provided under the Schedule W of the APA.

In its Petition, SCPC sought to recover the cost of energy (a) sourced by SCPC from WESM in order to meet NPC's nominations beyond the 169,000 kW MERALCO contracted demand, or (b) procured by NPC from the WESM representing energy nominated by NPC in excess of the 169,000 kW limit set in Schedule W, cost of which was charged by PSALM against SCPC. In relation to this, NPC withheld the payments of MERALCO and remitted to SCPC the collections, net of the cost of the outsourced energy.

SCPC has likewise sought to recover interest on the withheld MERALCO payments collected by PSALM that is unpaid to SCPC as of due date, to be charged at the rate of 6% computed from the date of SCPC's extrajudicial demand until full payment by PSALM.

During the preliminary conference scheduled on November 25, 2010, the ERC's hearing officer directed the parties to explore the possibility of settling the dispute amicably. As the parties failed to arrive at a compromise during the prescribed period, hearings resumed with the conduct of preliminary conference on February 23, 2011, without prejudice to the result of any further discussions between the parties for amicable settlement. The ERC set the next hearing for the presentation of witnesses on March 22 and 23, 2011.

In 2010, SCPC made a provision for the total amount withheld by NPC, which amounted to P383.29 million. Though a provision has already been made, SCPC has not waived its right to collect the said amount in case the outcome of the dispute resolution would be a favorable settlement for SCPC. The provision will be reversed and an income would be recognized in the "Other income" account upon collection of the said receivable.

On July 6, 2011, the ERC rendered its Decision in favor of SCPC and directed the parties, among others to submit the reconciled computation of the over-nominations and other MERALCO payments withheld by PSALM during the periods January 2010 to June 2010, and for PSALM to return to SCPC the amount computed and reconciled, including the interests thereon a rate of 6% per annum. PSALM filed a Motion for Reconsideration on the Decision which was denied by ERC in an order dated February 13, 2012 for lack of merit.

On April 24, 2012, SCPC and PSALM each filed their Compliance submitting the reconciled computations of the over-nominations and other MERALCO payments withheld by PSALM, as agreed upon by the parties, in the principal amount of P476.00 million.

On December 4, 2013, SCPC filed a Motion for Issuance of Writ of Execution praying to direct PSALM to remit the Principal Amount, including interest of 6% per annum computed from August 4, 2010 until the date of actual payment, as well as the value added tax collected by PSALM from MERALCO, pursuant to the ERC's Decision dated July 6, 2011 and Order dated February 13, 2012.

On June 23, 2014, the ERC issued an Order granting the Writ of Execution in favor of SCPC and called a clarificatory conference on September 3, 2014 for the parties to discuss the details of the execution. PSALM filed a Motion for Reconsideration of the ERC's Order dated June 23, 2014.

Notes to Consolidated Financial Statements

On September 3, 2014 clarificatory conference, the ERC directed the parties to discuss how they could mutually carry out the execution granted by the ERC in favor of SCPC and likewise (1) granted SCPC ten days to file its Comment/Opposition to PSALM's motion for reconsideration; and (2) ordered PSALM to file its Compliance and submit a copy of the 3rd Indorsement dated May 29, 2014 issued by the General Counsel of the Commission on Audit to PSALM.

On September 11, 2014, PSALM filed its Compliance and duly submitted the 3rd Indorsement. On September 15, 2014, SCPC filed its Opposition to PSALM's Motion for Reconsideration.

As of December 31, 2015, the ERC has not resolved PSALM's Motion for Reconsideration.

PSALM's Petition for Review before the Court of Appeals and Supreme Court of the Philippines

Meanwhile, PSALM filed a Petition for Review with Prayer for Temporary Restraining Order and/or Preliminary Injunction with the Court of Appeals on March 30, 2012, questioning the ERC's decision dated July 6, 2011 and Order dated February 13, 2012. On September 4, 2012, the Court of Appeals rendered a Decision, denying PSALM's petition and affirming the related Decision and Order previously issued.

PSALM subsequently filed a Motion for Reconsideration dated September 26, 2012 and seeking the reconsideration of the Decision dated September 4, 2012. SCPC filed its Opposition to PSALM's Motion for Reconsideration on November 5, 2012. Subsequently, the Court of Appeals issued a Resolution denying the Motion for Reconsideration filed by PSALM on November 27, 2012.

On December 27, 2012, PSALM filed a Petition for Review on Certiorari with Prayer for Issuance of Temporary Restraining Order and/or Preliminary Injunction with the Supreme Court.

Subsequently the Supreme Court issued a Resolution dated January 21, 2013 requiring SCPC to file a Comment to PSALM's Petition. Thus, on March 25, 2013, SCPC filed its Comment.

PSALM filed a Motion for Extension to file reply on July 25, 2013, requesting for an additional period of ten (10) days from July 25, 2013, or until August 4, 2013, within which to file its Reply. PSALM subsequently filed its Reply on August 2, 2013.

In a Resolution dated September 30, 2013, the Supreme Court granted PSALM's Motion for Extension to File Reply and noted the filing of PSALM's Reply.

PSALM's Petition has not yet been resolved as of December 31, 2015.

b. Operating Lease Commitment - as a Lessee

As discussed in Notes 7 and 11, SCPC entered into a LLA with PSALM for the lease of land where the Power Plant is situated, for the period of 25 years, renewable for another 25 years upon mutual agreement. In 2009, SCPC paid US$3.19 million or its peso equivalent P150.57 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 P34.83 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 (P14.72 million) exercisable within one year from the issuance of the Option Existence Notice.

On April 28, 2011, SCPC sent a letter to PSALM requesting for the assignment of the option to purchase a lot with an area of 82,740 sqm in favor of its Parent Company. On May 5, 2011, PSALM approved the assignment. On June 1, 2011, SCPC exercised the land lease option at a purchase price of P292.62 million and is included as part of "Property, plant and equipment" (see Note 8).

On October 12, 2011, SCPC reiterated its proposal to purchase the remainder of the Leased Premises not identified as Optioned Assets. One of the salient features of the proposal included the execution of Contract to Sell (CTS) between SCPC and PSALM. This included the proposal of SCPC to assign its option to purchase and sub-lease in favor of Southwest Luzon Power Generation (SLPGC).

On February 13, 2012, PSALM held off the approval of the proposal to purchase the portion of Calaca Leased Premises not identified as Optioned Assets, subject to further studies. On the same date, PSALM Board has approved SCPC's request to sub-lease a portion of the Calaca Leased Premises to SLPGC for the purpose of constructing and operating a power plant.

On February 24, 2012, SCPC sent a letter to PSALM for its proposal to handle the titling of Calaca Land.

As of the December 31, 2015, PSALM is pending for any response in connection therewith.

c. Purchase Commitments

SCPC has entered into purchase commitment with its Parent Company for the supply of coal. The contract agreement provides that the Parent Company shall supply to SCPC and the latter shall purchase from the Parent Company minimum volume of 1.10 million metric tons +/- 10% up to the maximum quantity of 2.4 million metric tons of coal. The contract ended on June 30, 2011. On December 22, 2011, SCPC renewed the said agreement that shall take effect from July 1, 2011 until December 31, 2021.

Further, both parties agreed on the amendment of Semirara Coal Specification, Pricing, and Price Adjustments.

SCPC has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of pending assessments.

Notes to Consolidated Financial Statements

SLPGC

a. Construction contract

SLPGC entered into a construction contract with DMCI for the construction of its power plant. SLPGC is entitled to liquidating damages at the daily rate of 1/10 of 1% of the Contract Price which in no event shall exceed 10% of the Contract Price. To date, the discussion with DMCI for the time extensions and estimated time of completion is still on going and has not been finalized, thus no liquidated damages had been recorded to date.

b. Purchase Commitments

SLPGC has entered into purchase commitment with its Parent Company for the supply of coal. The contract agreement provides that the Parent Company shall supply to SLPGC and the latter shall purchase from the Parent Company minimum volume of 0.525 million metric tons +/- 10% up to the maximum quantity of 1.05 million metric tons of coal. The contract shall take effect on May 2015 until May 31, 2025.

SMPC

a. Contingencies

The Parent Company has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested. The information usually required by PAS 37 is not disclosed on the grounds that it can be expected to prejudice the outcome of pending assessments.

b. Commitments

The Parent Company leases land at the minesite and building as office space. The lease term is for seven (7) years with option to extend. Future minimum rental payables under operating leases follow:

	2015	2014
Within one year	P2,590,382	P27,428,345
After one year but not more than five years	2,063,587	65,727,740
After five years	–	5,011,376
	P4,653,969	**P98,167,461**

c. Provision for probable legal claims

The Group is contingently liable with respect to certain other lawsuits and other claims which are being contested by management, the outcome of which are not presently determinable. Management believes that the final resolution of these claims will not have a material effect on the consolidated financial statements.

The information usually required by PAS 37 is not disclosed as it will prejudice the outcome of the lawsuits and claims.

29. Financial Risk Management Objectives and Policies

The Group has various financial assets such as cash and cash equivalents, receivables, investment in sinking fund and environmental guarantee fund, which arise directly from operations.

The Group's financial liabilities comprise trade and other payables, short-term loans and long-term debt. The main purpose of these financial liabilities is to raise finance for the Group's operations. The main risks arising from the Group's financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. The BOD reviews and approves policies for managing each of these risks which are summarized below.

The sensitivity analyses have been prepared on the following basis:

- Price risk - movement in one-year historical coal prices
- Interest rate risk - market interest rate on loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2015 and 2014.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The price that the Group can charge for its coal is directly and indirectly related to the price of coal in the world coal market. In addition, as the Group is not subject to domestic competition in the Philippines, the pricing of all of its coal sales is linked to the price of imported coal. World thermal coal prices are affected by numerous factors outside the Group's control, including the demand from customers which is influenced by their overall performance and demand for electricity. Prices are also affected by changes in the world supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs.

As the coal price is reset on a periodic basis under coal supply agreements, this may increase its exposure to short-term coal price volatility.

There can be no assurance that world coal prices will be sustained or that domestic and international competitors will not seek to replace the Group in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Group's profits.

To mitigate this risk, the Group continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved (i.e. domestic vs local). Also, in order to mitigate any negative impact resulting from price changes, it is the Group's policy to set minimum contracted volume for customers with long term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin. The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract.

Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e., abnormal rise in cost of fuel, foreign exchange).

Below are the details of the Group's coal sales to the domestic market and to the export market (as a percentage of total coal sales volume):

	2015	2014
Domestic market	45.82%	39.95%
Export market	54.18%	60.04%

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of December 31, 2015 and 2014 with all other variables held constant. The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on 1-year historical price movements in 2015 and 2014.

	Effect on income before income tax	
Change in coal price	2015	2014
Based on ending coal inventory		
Increase by 15% in 2015 and 22% in 2014	P416,498,009	P316,564,503
Decrease by 15% in 2015 and 22% in 2014	(416,498,009)	(316,564,503)
Based on coal sales volume		
Increase by 15% in 2015 and 22% in 2014	2,452,398,481	8,008,029,855
Decrease by 15% in 2015 and 22% in 2014	(2,452,398,481)	(8,008,029,855)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debts with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain a balance of Peso-denominated and United States Dollar (US$)-denominated debts.

Notes to Consolidated Financial Statements

The following table shows the information about the Group's financial instruments that are exposed to cash flow (floating rate instrument) and fair value (fixed rate instrument) interest rate risks and presented by maturity profile:

		2015					
	Interest	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Carrying Value
Cash in banks and cash equivalents	1.38% to 2.75%	P4,740,745,399	P–	P–	P–	P–	P4,740,745,399
Foreign short-term debt at floating rate $19.80 million loans (USD)	Floating rate	P885,534,976	P–	P–	P–	P–	P885,534,976
Foreign long-term debt at floating rate							
$9.31 million loan (USD)	Floating rate to be repriced every 3 months	438,116,431	–	–	–	–	438,116,431
$28.00 million loan (USD)	Floating rate to be repriced every 3 months	1,317,680,000	–	–	–	–	1,317,680,000
$1.61 million loan (USD)	Floating rate payable quarterly and in arrears, to be repriced every 90 days	75,958,914	–	–	–	–	75,958,914
$29.41 million loan (USD)	Floating rate to be repriced every 3 months	–	–	1,383,979,053	–	–	1,383,979,053
Mortgage payable at floating rate	PDST-F benchmark yield for three-month treasury securities + 1.00%	1,693,555,857	1,695,089,629	1,696,680,624	1,698,330,989	4,253,457,767	11,037,114,866
	PDST-F benchmark yield for 3-month treasury securities +1.75%	1,530,478,240	767,281,099	–	–	–	2,297,759,339
		P5,941,324,418	**P2,462,370,728**	**P3,080,659,677**	**P1,698,330,989**	**P4,253,457,767**	**P17,436,143,579**

	Interest	2014 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%	P3,677,533,204	P–	P–	P–	P–	P3,677,533,204
Foreign short-term debt at floating rate $27.25 million loans (USD)	Floating rate	P1,218,753,398	P–	P–	P–	P–	P1,218,753,398
Foreign long-term debt at floating rate							
$33.73 million loan (USD)	Floating rate payable quarterly and in arrears, to be repriced every 90 days	211,691,912	1,296,837,252	–	–	–	1,508,529,164
$32.70 million loan (USD)	Floating rate to be repriced every 90 days	–	1,462,344,000	–	–	–	1,462,344,000
$10.61 million loan (USD)	Floating rate, aggregate of the margin (1.20%) and LIBOR, to be repriced every 90 to 180 days	–	474,345,624	–	–	–	474,345,624
$9.31 million loan (USD)	Floating rate to be repriced every 90 days	–	416,331,618	–	–	–	416,331,618
$1.61 million loan (USD)	Floating rate	–	72,181,972	–	–	–	72,181,972
Mortgage payable at floating rate	PDST-F benchmark yield for three-month treasury securities + 1.00%	378,652,287	1,544,876,300	1,546,237,838	6,976,302,583	–	10,446,069,008
	PDST-F benchmark yield for 3-month treasury securities +1.75%	1,525,049,063	1,530,478,240	767,281,099	–	–	3,822,808,402
		P3,334,146,660	**P6,797,395,006**	**P2,313,518,937**	**P6,976,302,583**	**P–**	**P19,421,363,186**

The following table demonstrates the sensitivity of the Group's income before tax to a reasonably possible change in interest rates on December 31, 2015 and 2014, with all variables held constant, through the impact on floating rate borrowings.

	Effect on Income Before Tax	
Basis points (in thousands)	2015	2014
+100	(P195,436)	(P194,214)
-100	195,436	194,214

The assumed movement in basis points for interest rate sensitivity analysis is based on the Group's historical changes in market interest rates on bank loans.

There was no effect on the equity other than those affecting the income before tax.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's policy is to maintain a level of cash that is sufficient to fund its monthly cash requirements, at least for the next four to six months. Capital expenditures are funded through a mix of suppliers' credit, letters of credit, trust receipts and long-term debt, while operating expenses and working capital requirements are funded through cash collections. A significant part of the Group's financial assets that are held to meet the cash outflows include cash equivalents and trade receivables. Although trade receivables are contractually collectible on a short-term basis, the Group expects continuous cash inflows through continuous production and sale of coal and power generation. In addition, although the Group's short-term deposits are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

Moreover, the Group considers the following as mitigating factors for liquidity risk:

- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Fund raising activities may include obtaining bank loans.

The tables below summarize the maturity profile of the Group's financial assets and liabilities as of December 31, 2015 and 2014 based on undiscounted contractual payments:

	2015					
	Less than 6 months	6-12months	1-2 years	2-3 years	More than 3 years	Total
Assets						
Cash in banks and cash equivalents	P4,740,745,399	P–	P–	P–	P–	P4,740,745,399
Receivables						
Trade:						
Outside parties	2,337,954,923	30,303,905	322,650,167	–	–	2,690,908,995
Related parties	68,830,272	–	–	–	–	68,830,272
Others*	82,726,459	–	–	–	–	82,726,459
Environmental guarantee fund	–	–	–	–	1,500,000	1,500,000
Investment in sinking fund	460,234,017	–	–	–	–	460,234,017
	7,690,491,070	**30,303,905**	**322,650,167**	**–**	**1,500,000**	**8,044,945,142**
Liabilities						
Trade and other payables						
Trade:						
Payable to suppliers and contractors	4,000,643,528	–	1,240,838,243	–	–	5,241,481,771
Related parties	1,383,876,235	–	1,498,829,715	–	–	2,882,705,950
Accrued expenses and other payables**	309,212,881	–	–	–	–	309,212,881
Short-term loans	2,993,000,994	–	–	–	–	2,993,000,994
Long-term debt at floating rate						
$9.31 million loan (USD) with interest payable in arrears	438,116,431	–	–	–	–	438,116,431
$28.00 million loan (USD) with interest payable in arrears	1,317,680,000	–	–	–	–	1,317,680,000
$1.61 million loan (USD) with interest payable in arrears	75,958,914	–	–	–	–	75,958,914
$29.41 million loan (USD) with interest payable in arrears	–	–	–	1,383,979,053	–	1,383,979,053
PDST-F benchmark yield for 3-month treasury securities + 1.00%	846,777,929	846,777,928	1,695,089,629	1,696,680,624	5,951,788,756	11,037,114,866
PDST-F benchmark yield for 3-month treasury securities + 1.75%	765,239,120	765,239,120	767,281,099	–	–	2,297,759,339
	12,130,506,032	1,612,017,048	5,202,038,686	3,080,659,677	5,951,788,756	27,977,010,199
	(P4,440,014,962)	**(P1,581,713,143)**	**(P4,879,388,519)**	**(P3,080,659,677)**	**(P5,950,288,756)**	**(P19,932,065,057)**

**excludes advances for liquidation

**excludes statutory liabilities

	2014					
	Less than 6 months	6-12months	1-2 years	2-3 years	More than 3 years	Total
Assets						
Cash in banks and cash equivalents	P3,677,533,204	P–	P–	P–	P–	P3,677,533,204
Receivables:						
Trade:						
Outside parties	2,764,277,397	1,208,069,234	–	–	–	3,972,346,631
Related parties	67,121,866	–	–	–	–	67,121,866
Others*	74,923,989	–	–	–	–	74,923,989
Environmental guarantee fund	–	–	–	–	1,500,000	1,500,000
Investment in sinking fund	–	–	–	521,780,873	–	521,780,873
	6,583,856,456	**1,208,069,234**	**–**	**521,780,873**	**1,500,000**	**8,315,206,563**
Liabilities						
Trade and other payables:						
Trade:						
Payable to suppliers and contractors	4,579,969,287	–	–	–	–	4,579,969,287
Related parties	1,792,921,285	–	–	–	–	1,792,921,285
Accrued expenses and other payables**	707,618,017	–	–	–	–	707,618,017
Short-term loans	1,050,916,914	167,836,484	–	–	–	1,218,753,398
Long-term debt at floating rate						
$33.73 million loan (USD) with interest payable in arrears	105,845,956	105,845,956	1,296,837,252	–	–	1,508,529,164
$32.70 million loan (USD) with interest payable in arrears	–	–	1,462,344,000	–	–	1,462,344,000
$10.61 million loan (USD) with interest payable in arrears	–	–	474,345,624	–	–	474,345,624
$9.31 million loan (USD) with interest payable in arrears	–	–	416,331,636	–	–	416,331,636
$1.61 million loan (USD) with interest payable in arrears	–	–	72,181,951	–	–	72,181,951
PDST-F benchmark yield for 3-month treasury securities + 1.00%	–	378,652,287	1,544,876,300	1,631,463,248	7,046,066,216	10,601,058,051
PDST-F benchmark yield for 3-month treasury securities + 1.75%	762,524,532	762,524,532	1,530,478,240	780,708,518	–	3,836,235,822
	8,999,795,991	1,414,859,259	6,797,395,003	2,412,171,766	7,046,066,216	26,670,288,235
	(P2,415,939,535)	**(P206,790,025)**	**(P6,797,395,003)**	**(P1,890,390,893)**	**(P7,044,566,216)**	**(P18,355,081,672)**

**excludes advances for liquidation

**excludes statutory liabilities

Foreign currency risk

Majority of the Group's revenue are generated in Philippine peso, however, substantially all of capital expenditures are in US$.

The Group manages this risk by matching receipts and payments in the same currency and monitoring. Approximately, 54.18% and 60.04% of the Group's sales in 2015 and 2014, respectively, were denominated in US$ whereas approximately 16.45% and 32.03% of debts as of December 31, 2015 and 2014, respectively, were denominated in US$.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents follow:

	December 31, 2015		December 31, 2014	
	U.S. Dollar	Peso Equivalent	U.S. Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	$3,376,117	P158,880,066	$24,582,205	P1,099,316,208
Trade receivables	8,298,296	390,517,809	15,024,717	671,905,344
Liabilities				
Trade payables	(12,440,275)	(585,439,342)	(20,291,547)	(907,437,999)
Short-term loans	(18,817,148)	(885,534,976)	(27,252,983)	(1,218,753,400)
Long-term debt (including current portion)	(68,332,648)	(3,215,734,398)	(87,963,604)	(3,933,732,371)
Net exposure	**($87,915,658)**	**(P4,137,310,841)**	**($95,901,212)**	**(P4,288,702,218)**

The exchange rates used were P47.06 to $1 and P44.72 to $1 in 2015 and 2014, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities) on December 31, 2015 and 2014.

	Increase (decrease) in income before tax	
Reasonably possible change in the Philippine peso-US dollar exchange rate	2015	2014
P2	(P175,831,316)	(P191,802,424)
(2)	175,831,316	191,802,424

There is no impact on the Group's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on movement in dollar average exchange rates.

The Group recognized net foreign exchange losses amounting to P300.06 million, P52.14 million and 481.18 million in 2015, 2014 and 2013, respectively, arising from the translation of the Group's cash and cash equivalents, trade receivables, trade payables, short-term loans and long-term debt.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group manages and controls credit risk by doing business with recognized, creditworthy third parties, thus, there is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group evaluates the financial condition of the local customers before deliveries are made to them.

On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject for the Group's approval, hence, mitigating the risk on collection. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to doubtful accounts is not significant. The Group generally bills 80% of coal delivered payable within 30 days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered. The Group's exposure to credit risk from trade receivables arise from the default of the counterparty with a maximum exposure equal to their carrying amounts.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, other receivables, environmental guarantee fund and investment in sinking fund, the exposure to credit risk arises from default of the counterparty with a maximum exposure to credit risk equal to the carrying amount of the financial assets as of reporting date. The Group does not hold any collateral or other credit enhancement that will mitigate credit risk exposure. The Group transacts only with institutions or banks and third parties that have proven track record in financial soundness. The management does not expect any of these institutions to fail in meeting their obligations.

The credit risk is concentrated to the following markets:

	2015	2014
Trade receivables - outside parties	83.70%	91.47%
Trade receivables - related parties	1.64	1.63
Others	14.66	6.90
	100.00%	**100.00%**

As of December 31, 2015 and 2014, the credit quality per class of financial assets is as follows:

	2015				
	Neither Past Due nor Impaired		Substandard	Past due and/or Individually	
	Grade A	Grade B	Grade	Impaired	Total
Cash in banks and cash equivalents	P4,740,745,399	P–	P–	P–	P4,740,745,399
Receivables:					
Trade receivables - outside parties	1,695,118,299	–	–	2,361,291,829	4,056,410,128
Trade receivables - related parties	68,830,272	–	–	–	68,830,272
Others*	62,399,202	–	–	5,815,359	68,214,561
Environmental guarantee fund	1,500,000	–	–	–	1,500,000
Investment in sinking fund	460,234,017	–	–	–	460,234,017
Total	**P7,028,827,189**	**P–**	**P–**	**P2,367,107,188**	**P9,395,934,377**

*excludes advances to contractors

	2014				
	Neither Past Due nor Impaired		Substandard	Past due and/or Individually	
	Grade A	Grade B	Grade	Impaired	Total
Cash in banks and cash equivalents	P3,677,533,204	P–	P–	P–	P3,677,533,204
Receivables:					
Trade receivables - outside parties	910,610,951	–	–	3,558,909,562	4,469,520,513
Trade receivables - related parties	67,121,866	–	–	–	67,121,866
Others*	74,923,989	–	–	5,815,359	80,739,348
Environmental guarantee fund	1,500,000	–	–	–	1,500,000
Investment in sinking fund	521,780,873				521,780,873
Total	**P5,253,470,883**	**P–**	**P–**	**P3,564,724,921**	**P8,818,195,804**

*excludes advances to contractors

Cash in banks and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top ten (10) banks in the Philippines in terms of resources and profitability. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency. Trade receivable - related parties are considered Grade A due to the Group's positive collection experience. Environmental guarantee fund is assessed as Grade A since this is deposited in a reputable bank, which has a low probability of insolvency.

Grade A are accounts considered to be of high credit rating and are covered with coal supply and power supply contracts. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Grade B accounts are active accounts with minimal instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The Group determines financial assets as impaired when probability of recoverability is remote evidenced by the counterparty's financial difficulty.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. Accounts under this group show possible future loss to the Group as a result of default in payment of the counterparty despite of the regular follow-up actions and extended payment terms.

In the Group's assessment, there are no financial assets that will fall under the category substandard grade due to the following reasons:

- Receivables from electricity and local coal sales - transactions are entered into with reputable and creditworthy companies.
- Receivables from export coal sales - covered by irrevocable letter of credit at sight from a reputable bank acceptable to the Group.

As of December 31, 2015 and 2014, the aging analyses of the Group's past due and/or impaired receivables presented per class are as follows:

	2015			
	Past Due but not Impaired		Impaired Financial	
	<45 days	45-135 days	Assets	Total
Receivables				
Trade receivables - outside parties	P484,664,904	P454,301,298	P1,422,325,637	P2,361,291,839
Others	–	–	5,815,359	5,815,359
Total	**P484,664,904**	**P454,301,298**	**P1,428,140,996**	**P2,367,107,198**

	2014			
	Past Due but not Impaired		Impaired Financial	
	<45 days	45-135 days	Assets	Total
Receivables				
Trade receivables - outside parties	P1,979,168,913	P1,082,566,767	P497,173,882	P3,558,909,562
Others	–	–	5,815,359	5,815,359
Total	**P1,979,168,913**	**P1,082,566,767**	**P502,989,241**	**P3,564,724,921**

Capital management

The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

No changes were made in the objectives, policies and processes from the previous years.

The Group manages its capital using Debt-to-equity ratio, which is interest-bearing loans divided by equity, and EPS. The following table shows the Group's capital ratios as of December 31, 2015 and 2014.

	2015	2014
Interest-bearing loans	P19,543,609,597	P19,421,363,183
Total equity	26,901,082,159	22,706,211,516
Debt-to-equity ratio	72.65%	85.53%
EPS (Note 26)	P7.94	P6.42

The Debt-to-equity ratio is carefully matched with the strength of the Group's financial position, such that when a good opportunity presents itself, the Group can afford further leverage.

The following table shows the component of the Group's capital as of December 31, 2015 and 2014:

	2015	2014
Total paid-up capital	P7,744,277,411	P7,744,277,411
Remeasurement losses on pension plan	(30,509,775)	(13,471,337)
Retained earnings - unappropriated	13,887,314,523	12,675,405,442
Retained earnings - appropriated	5,300,000,000	2,300,000,000
	P26,901,082,159	**P22,706,211,516**

30. Fair Values

Fair Value Information

Cash and cash equivalents, receivables, environmental guarantee fund, investment in sinking fund, trade payables, accrued expenses and other payables, and short-term loans carrying amounts approximate fair value. Most of these financial instruments are relatively short-term in nature.

Long-term debt

The carrying values approximated the fair value because of recent and regular repricing of interest rates (e.g. monthly, quarterly, semi-annual or annual basis) based on current market conditions. As of December 31, 2015 and 2014, interest rate ranges from 1.44% to 1.66%.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of December 31, 2015 and 2014, the Group does not have financial instruments measured at fair value.

Notes to Consolidated Financial Statements

31. Notes to Consolidated Statements of Cash Flow

Supplemental disclosure of noncash investing and financing activities follows:

	2015	2014	2013
Depreciation capitalized as exploration and evaluation asset (Note 8)	P534,556,678	P248,799,589	P49,421,284
Additions and adjustments to provision for decommissioning and site rehabilitation (Note 15)	342,006,100	10,819,948	133,188,944
Depreciation capitalized as coal inventory (Note 8)	112,122,124	39,109,356	121,831,125
Application of creditable withholding tax to income tax payable	328,897,624	–	11,691,929

32. Operating Segments

Segment Information

For management purposes, the Group is organized into business units based on their products and activities. Segment revenues, cost and operating expenses, profit or loss, segment assets and segment liabilities assume measurement under PFRS. Reportable operating segments are as follows:

- Mining - engaged in surface open cut mining of thermal coal;
- Power - involved in generation of energy available for sale thru bilateral contracts, electricity markets and trading; and
- Others - other investing activities.

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision maker (CODM) monitors the operating results of the Group for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, operating profit and pretax income which are measured similarly in the consolidated financial statements. Transactions between operating segments are made at terms and prices agreed upon by the parties.

Notes to Consolidated Financial Statements

	2015 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	P11,781,825	P12,898,346	P–	P–	P24,680,171
Inter-segment sales	4,591,200	–	–	(4,591,200)	–
	16,373,025	**12,898,346**	**–**	**(4,591,200)**	**24,680,171**
Cost of sales	(7,789,341)	(5,408,565)	–	(4,506,207)	(8,691,699)
Depreciation and amortization	(844,047)	(1,006,346)	–	–	(1,850,393)
Gross profit	7,739,637	6,483,435	–	(84,993)	14,138,079
Operating expenses	(2,300,077)	(2,028,726)	(949)	–	(4,329,752)
Loss on property, plant and equipment writedown	(16,088)	–	–	–	(16,088)
Depreciation	(19,964)	(23,282)	–	–	(43,246)
Operating profit	5,403,508	4,431,427	(949)	(84,993)	9,748,993
Other income	1,748,341	192,255	83	(1,500,000)	440,679
Finance income	22,519	35,011	35	–	57,565
Foreign exchange loss	(327,979)	27,923	–	–	(300,056)
Finance costs	(129,647)	(148,541)	–	–	(278,188)
Provision for (benefit from) income tax	(37,781)	1,220,137	(272)	–	1,182,084
Net income	P6,754,523	P3,317,938	(P559)	(P1,584,993)	P8,486,909
Segment assets	P33,060,935	P41,828,804	P133,732	(P18,401,978)	P56,621,493
Deferred tax assets	109,969	425,225	351	–	535,545
	P33,170,904	**P42,254,029**	**P134,083**	**(P18,401,978)**	**P57,157,038**
Segment liabilities	P9,248,213	P6,469,462	P129,754	(P2,142,083)	P13,705,346
Long-term debt	3,215,734	13,334,874	–	–	16,550,608
	P12,463,947	**P19,804,336**	**P129,754**	**(2,142,083)**	**P30,255,954**
Cash flows arising from:					
Operating activities	P6,528,279	P4,623,663	P29,786	(P513,946)	P10,667,782
Investing activities	(2,227,768)	(2,696,035)	(29,684)	(146,053)	(5,099,540)
Financing activities	(3,512,173)	(1,615,610)	–	660,000	(4,467,783)
Other disclosures					
Capital expenditures	P3,367,945	P2,430,231	P–	P–	P5,798,176
Provision for inventory obsolescence	20,902	–	–	–	20,902

	2014 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	P16,276,930	P12,308,411	P–	P–	P28,585,341
Inter-segment sales	2,629,502	–	–	(2,629,502)	-
	18,906,432	**12,308,411**	**–**	**(2,629,502)**	**28,585,341**
Cost of sales	(11,076,242)	(8,424,654)	–	2,654,902	(16,845,994)
Depreciation and amortization	(1,155,162)	(926,330)	–	–	(2,081,492)
Gross profit	6,675,028	2,957,427	–	25,400	9,657,855
Operating expenses	(2,228,618)	(940,403)	(211)	–	(3,169,232)
Loss on property, plant and equipment writedown	–	(111)	–	–	(111)
Depreciation	(24,363)	(27,293)	–	–	(51,656)
Operating profit	4,422,047	1,989,620	(211)	25,400	6,436,856
Other income	3,592,010	113,478	–	(3,500,000)	205,488
Finance income	15,458	25,946	48	–	41,452
Foreign exchange loss	(61,847)	9,706	–	–	(52,141)
Finance costs	(119,938)	(203,290)	–	–	(323,228)
Provision for (benefit from) income tax	81,511	(634,326)	(52)	–	(552,867)
Net income	P7,766,219	P2,569,786	(P111)	(P3,474,600)	P6,861,294
Segment assets	P29,956,474	P39,771,050	P103,946	(P18,634,289)	P51,197,181
Deferred tax assets	61,327	642,805	63	–	704,195
	P30,017,801	**P40,413,855**	**P104,009**	**(P18,634,289)**	**P51,901,376**
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	P10,641,091	P4,723,833	P60,719	(P3,500,000)	P11,925,643
Investing activities	(4,836,221)	(7,846,199)	(60,524)	2,071,680	(10,671,264)
Financing activities	(5,622,727)	1,806,248	–	1,428,320	(2,388,159)
Other disclosures					
Capital expenditures	P3,031,944	P7,956,352	P–	P–	P10,988,296
Reversal of inventory obsolescence	(12,154)	–	–	–	(12,154)

2013 (In thousands)	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	P12,573,569	P14,757,590	P–	P–	P27,331,159
Inter-segment sales	4,103,853	–	–	(4,103,853)	–
	16,677,422	**14,757,590**	**–**	**(4,103,853)**	**27,331,159**
Cost of sales	(10,552,696)	(4,999,756)	–	(4,131,777)	(11,420,675)
Depreciation and amortization	(1,179,870)	(1,509,951)	–	–	(2,689,821)
Gross profit	4,944,856	8,247,883	–	27,924	13,220,663
Operating expenses	(1,686,861)	(1,967,466)	(200)	–	(3,654,527)
Loss on property, plant and equipment writedown	–	(1,559,385)	–	–	(1,559,385)
Depreciation	(28,020)	(22,584)	–	–	(50,604)
Operating profit	3,229,975	4,698,448	(200)	27,924	7,956,147
Other income	2,577,903	203,180	126	(2,500,000)	281,209
Finance income	1,889	24,839	77	–	26,805
Foreign exchange gain	(463,938)	(17,239)	–	–	(481,177)
Finance costs	(152,628)	(228,601)	–	–	(381,229)
Provision for income tax	(131,452)	13,613	1	–	(117,838)
Net income	P5,324,653	P4,667,014	P2	(P2,472,076)	P7,519,593
Segment assets	P12,363,065	P33,386,629	P46,356	(P1,208,617)	P44,587,433
Deferred tax assets	135,182	4,743	33	–	139,958
	P12,498,247	**P33,391,372**	**P46,389**	**(P1,208,617)**	**P44,727,391**
Segment liabilities	P6,186,795	P3,736,745	P38,330	(P1,170,637)	P8,791,233
Long-term debt	4,790,698	11,017,949	–	–	15,808,647
	P10,977,493	**P14,754,694**	**P38,330**	**(P1,170,637)**	**P24,599,880**
Cash flows arising from:					
Operating activities	P6,061,170	P6,593,511	(P18)	–	P12,654,663
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	P1,747,122	P7,150,621	P–	P–	P8,897,743
Reversal of allowance for doubtful accounts	29,743	413,907	–	–	443,650
Provision for impairment losses	4,120	–	–	–	4,120
Reversal of impairment losses	(61,549)	–	–	–	(61,549)

1. Intersegment revenues, other income, cost and expenses are eliminated in the consolidation under adjustments and eliminations.
2. Segment assets exclude deferred tax assets amounting to P535.54 million, P704.20 million and P139.96 million in 2015, 2014 and 2013, respectively.
3. Significant noncash items charged to comprehensive income include loss on property, plant and equipment writedown and depreciation and amortization.
4. Capital expenditures consist of additions of property, plant and equipment.
5. All noncurrent assets other than financial instruments are located in the Philippines.

Geographic Information

Revenues from external customers

The financial information about the operation of the Group as of December 31, 2015, 2014 and 2013 reviewed by the management follows:

	2015	2014	2013
Revenue:			
Local coal sales	P5,862,246,658	P4,925,268,912	P5,287,388,411
Export coal sales	5,919,578,510	11,351,660,886	7,286,180,834
	P11,781,825,168	**P16,276,929,798**	**P12,573,569,245**

Substantially all revenues from external customer are from open cut mining and sales of thermal coal. Local and export classification above is based on the geographic location of the customer.

Customers on the export sales are significantly to China.

All revenues from power are derived from the Philippine market.

33. Other Matters

a. Electric Power Industry Reform Act (EPIRA)

In June 2001, the Congress of the Philippines approved and passed into law R.A. No. 9136, otherwise known as the EPIRA, providing the mandate and the framework to introduce competition in the electricity market. EPIRA also provides for the privatization of the assets of NPC, including its generation and transmission assets, as well as its contract with Independent Power Producers (IPPs). EPIRA provides that competition in the retail supply of electricity and open access to the transmission and distribution systems would occur within three years from EPIRA's effective date. Prior to June 2002, concerned government agencies were to establish WESM, ensure the unbundling of transmission and distribution wheeling rates and remove existing cross subsidies provided by industrial and commercial users to residential customers. The WESM was officially launched on June 23, 2006 and began commercial operations for Luzon. The ERC has already implemented a cross subsidy removal scheme. The inter-regional grid cross subsidy was fully phased-out in June 2002. ERC has already approved unbundled rates for Transmission Company (TRANSCO) and majority of the distribution utilities.

Under EPIRA, NPC's generation assets are to be sold through transparent, competitive public bidding, while all transmission assets are to be transferred to TRANSCO, initially a government-owned entity that was eventually being privatized. The privatization of these NPC assets has been delayed and is considerably behind the schedule set by the DOE. EPIRA also created PSALM, which is to accept transfers of all assets and assume all outstanding obligations of NPC, including its obligations to IPPs. One of PSALM's responsibilities is to manage these contracts with IPPs after NPC's privatization. PSALM is also responsible for privatizing at least 70% of the transferred generating assets and IPP contracts within three years from the effective date of EPIRA.

Notes to Consolidated Financial Statements

In August 2005, the ERC issued a resolution reiterating the statutory mandate under the EPIRA law for the generation and distribution companies, which are not publicly listed, to make an initial public offering (IPO) of at least 15% of their common shares. Provided, however, that generation companies, distribution utilities or their respective holding companies that are already listed in the Philippine Stock Exchange (PSE) are deemed in compliance. SCPC was already compliant with this requirement given that the Parent Company is a publicly listed company.

WESM

With the objective of providing competitive price of electricity, the EPIRA authorized DOE to constitute an independent entity to be represented equitably by electric power industry participants and to administer and operate WESM. WESM will provide a mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity.

In addition, the DOE was tasked to formulate the detailed rules for WESM which include the determination of electricity price in the market. The price determination methodology will consider accepted economic principles and should provide a level playing field to all electric power industry participants. The price determination methodology was subject to the approval of the ERC.

In this regard, the DOE created Philippine Electricity Market Corporation (PEMC) to act as the market operator governing the operation of WESM. On June 26, 2006, WESM became operational in the Luzon grid and adopts the model of a "gross pool, net settlement" electricity market.

b. Power Supply Agreement with Manila Electric Company (MERALCO)

On December 20, 2011, SCPC entered into a new power supply agreement with MERALCO, a distributor of electric power, which took effect on December 26, 2011 and shall have a term of seven (7) years extendable upon mutual agreement by the parties for another three (3) years.

SCPC will be providing MERALCO with an initial contracted capacity of 210 MW and will be increased to 420 MW upon the commercial operation of the plant's Unit 1.

On March 12, 2012, MERALCO filed an application for the Approval of the Power Supply Agreement (PSA) between MERALCO and SCPC, with a Prayer for Provisional Authority, docketed as ERC Case No. 2011-037 RC.

In the said application, MERALCO alleged and presented on the following: a.) the salient provisions of the PSA; b.) payment structure under the PSA; c.) the impact of the approval of the proposed generation rates on MERALCO's customers; and d.) the relevance and urgent need for the implementation of the PSA.

On December 17, 2012, the Commission (ERC) issued a Decision approving the application with modification. On January 7, 2013, applicant MERALCO filed a Motion for Partial Reconsideration of the ERC Decision dated December 17, 2012 to introduce additional material evidence not available at the time of the filing of the application, in support of the reconsideration of the approved Fixed O&M Fee of P4,785.12/Kw/Year.

c. Dispute Resolution Proceedings with MERALCO (Line Loss Rental)

On August 29, 2013 MERALCO filed a Petition for Dispute Resolution before the Energy Regulatory Commission against SCPC and other generating companies praying for refund of the amount of line loss allegedly collected by the said generating companies corresponding to 2.98% of the NPC-Time of Use (TOU) amounts paid to the generating companies as assignees of the portions of the contracted energy volume under the NPC-MERALCO Transition Supply Contract pursuant to the Orders dated March 4, 2013 and July 1, 2013 issued by the ERC in ERC Case No. 2008-083MC. The total amount claim by MERALCO against SCPC P265.54 million representing line loss amounts allegedly received by SCPC beginning 2009.

The ERC issued an Order dated September 10, 2013 for the generating companies to file comments on MERALCO's Petition and set the hearing on October 17, 2013.

On September 20, 2013, the generating companies filed a Joint Motion to Dismiss arguing that MERALCO's Petition failed to state a cause of action and the ERC has no jurisdiction over the subject matter of the case.

On September 25, 2013, the ERC directed MERALCO to file its comments on the Joint Motion to Dismiss. The ERC likewise set the hearing on the Joint Motion to Dismiss on October 14, 2013.

On October 14, 2013 during the hearing on the Joint Motion to Dismiss, ERC directed MERALCO to furnish the generating companies of its Comment and Pre-Trial Brief; granted MERALCO a period of three (3) days from receipt of the generating companies Reply within which to file a Rejoinder; granted the generating companies a period of five (5) days from receipt of MERALCO;s Rejoinder to file a Sur-Rejoinder. The ERC denied the generating companies prayer to hold in abeyance the conduct of the initial heating on October 17, 2013 and shall proceed on said date only insofar as the jurisdictional hearing is concerned without prejudice to the ERC's resolution of the Joint Motion to Dismiss.

The generating companies' Joint Motion to Dismiss has been submitted for resolution. As of December 31, 2015 the Joint Motion to Dismiss has yet to be resolved.

d. Clean Air Act

On November 25, 2000, the Implementing Rules and Regulations (IRR) of the Philippine Clean Air Act (PCAA) took effect. The IRR contains provisions that have an impact on the industry as a whole and on SCPC in particular, that need to be complied within 44 months (or until July 2004) from the effectivity date, subject to the approval by DENR. The power plant of SCPC uses thermal coal and uses a facility to test and monitor gas emissions to conform with Ambient and Source Emissions Standards and other provisions of the Clean Air Act and its IRR. Based on SCPC's initial assessment of its power plant's existing facilities, SCPC believes that it is in full compliance with the applicable provisions of the IRR of the PCAA.

e. Contract for the Fly Ash of the Power Plant

On October 20, 1987, NPC and Pozzolanic Australia Pty, Ltd. ("Pozzolanic") executed the Contract for the Purchase of Fly Ash of the Power Plant (the "Pozzolanic Contract"). Under the Pozzolanic Contract, Pozzolanic was given the right to sell, store, process, remove or otherwise dispose of all fly ash produced at the first unit of the Power Plant. It was also granted the first option to purchase fly ash, under similar terms and conditions, from the second unit of the Power Plant that NPC may construct. It may also exercise the exclusive right of first refusal to purchase fly ash from any new coal-fired power plants which will be put up by NPC.

The Pozzolanic Contract is effective for a period of five consecutive five-year terms from its signing, or a period of 25 years from October 20, 1987 or until 2012, subject to cancellation by NPC upon default or any breach of contract by Pozzolanic. At the end of each five-year term, the parties will agree to assess and evaluate the Pozzolanic Contract, and if necessary, revise, alter, modify the same upon their mutual consent.

Notes to Consolidated Financial Statements

The Philippine Government has determined the provision of the Pozzolanic Contract which grants Pozzolanic the exclusive right of first refusal to purchase fly ash from the second unit of the Power Plant and from any coal-fired power plant put up by NPC after the execution of the Pozzolanic Contract as invalid. This is the subject of a case filed by Pozzolanic and pending before the regional trial court of Quezon City as of December 31, 2011.

On April 30, 2012, the SCPC as new owner of the Power Plant and Pozzolanic sealed a new contract valid and effective for a period of fifteen (15) years beginning February 1, 2012. Pozzolanic, as agreed, shall purchase One Hundred (100 %) percent of fly ashes produced or generated by the Power Plant.

f. Temporary Restraining Order on MERALCO

On December 23, 2013, the Supreme Court (SC) issued a temporary restraining order (TRO) to MERALCO enjoining it from increasing the generation rates it charges to its consumers arising from the increased generation costs from its suppliers for the supply month of November 2013. The said TRO also enjoined the Energy Regulatory Commission (ERC) from implementing its December 9, 2013 Order authorizing MERALCO to stagger the collection of its increased generation costs for the supply month of November 2013. The TRO was for a period of 60 days from December 23, 2013 to February 21, 2014.

On January 10, 2014, the SC impleaded MERALCO's suppliers of generation costs, including PEMC, the operator of the wholesale electricity supply market (WESM), as parties-respondents in the cases.

On February 18, 2014, the SC extended the TRO for another 60 days up to April 22, 2014.

On April 24, 2014, the SC issued a resolution and corresponding TRO, extending indefinitely the TRO issued on December 23, 2013 and February 18, 2014.

As a result of the TRO, MERALCO has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs, including PEMC.

On March 11, 2014, the ERC released its ERC Order (Case No 2014-021MC, dated March 3, 2014) voiding the Luzon WESM prices during the November and December 2013 supply months and declaring the imposition of regulated prices in lieu thereof. PEMC was hereby directed within 7 days from receipt of the Order to calculate these regulated prices and implement the same in the revised WESM bills of the concerned distribution utilities in Luzon for the November and December 2013 supply months for their immediate settlement, except for MERALCO whose November 2013 WESM bill shall be maintained in compliance with the TRO issued by the SC.

Several generation companies and distribution companies filed their respective Motions for Reconsideration of the March 3, 2014 ERC Order. The SCPC filed its Motion for Reconsideration with Motion for Deferment of implementation of the Order dated March 3, 2014 on March 31, 2014. The said Motions were set for hearing on April 28, 2014.

In the meantime, PEMC issued the adjusted WESM bills to the market participants, including the SCPC. In an Order dated March 27, 2014, the ERC directed PEMC to provide the market participants an additional period of 45 days from receipt of the Order within which to comply with the settlement of the adjusted WESM bills in view of the pendency of the various submissions before the ERC.

During the hearing held on April 28, 2014, the ERC directed the parties to submit their respective memoranda by May 2, 2014. In compliance with the directive, SCPC filed a Manifestation on May 2, 2014 that it is adopting its Motion for Reconsideration in lieu of filing a Memorandum. In an Order dated October 15, 2014, the ERC denied SCPC's Motion for Reconsideration.

Notes to Consolidated Financial Statements

On December 11, 2014, SCPC filed a Petition for Review with Prayer for Issuance of Temporary Restraining Order and/or Writ of Injunction with the Court of Appeals seeking reversal of the ERC Orders dated March 3, 2014 and October 15, 2014. In a resolution dated April 30, 2015, the SCPC's Petition was consolidated with other related cases filed by other generation companies before the Court of Appeals. PEMC and ERC filed their respective Consilidated Comments on the consolidated Petitions to which the SCPC filed its Reply.

MERALCO filed its Consolidated Motion for Leave to Intervene with Opposition to Prayers for issuance of Temporary Restraining Order and/or Writ of Injunction. SCPC filed its Comment to MERALCO's Consolidated Motion on November 2, 2015.

The Court of Appeals is yet to resolve MERALCO's Consolidated Motion and the consolidated Petitions.

Pending the finality of the ERC Order dated March 3, 2014 on recalculation of the WESM prices for the November and December 2013 supply months and its effect on each generation company that trade in the WESM, the SCPC estimated its exposure to the said ERC order. Please see judgments and estimates in Note 3 and the related disclosures on allowance for doubtful accounts in Note 5. In relation to the ERC Order, SCPC entered into a special payment arrangement with PEMC for the payment of the customer's reimbursement, through PEMC, in excess of the regulated price for the purchases through spot market in November and December 2013. The payments are over 24 month of which, as of December 31, 2015, P533.72 million was paid, and the remaining P140.28 million is payable in the remaining months.

Underwater life, Tabunan Marine Sanctuary

OTHER **INFORMATION**

Giant Clam

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BOARD OF DIRECTORS Profile

ISIDRO A. CONSUNJI
CHAIRMAN
CHIEF EXECUTIVE OFFICER

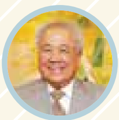
BOARD APPOINTMENT:
- Date of 1st appointment as Chairman: November 2014
- Date of 1st appointment as a director: May 2001
- Date of last re-election as a director: May 2015
- Length of service as a director: 14 years

BOARD COMMITTEE(S) SERVED ON:
- Member, Nomination and Election Committee
- Member, Risk 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:
- 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
VICE CHAIRMAN
PRESIDENT AND COO

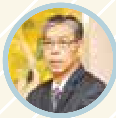
BOARD APPOINTMENT:
- Date of first appointment as Vice Chairman: November 2014
- Date of first appointment as a director: May 2001
- Date of last re-election as a director: May 2015
- Length of service as a director: 14 years

BOARD COMMITTEE(S) SERVED ON:
- Member, Audit Committee
- Member, Risk 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, One Network Bank and 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



VICTOR C. MACALINCAG
INDEPENDENT DIRECTOR

BOARD APPOINTMENT:
- Date of first appointment as Independent Director: May 2005
- Date of last re-election as a director: May 2015
- Length of service as a director: 10 years

BOARD COMMITTEE(S) SERVED ON:
- Chairman, Audit Committee
- Member, Nomination and Election Committee
- Chairman, Compensation and Remuneration Committee
- Member, Risk 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.
- Director, 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 and 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
INDEPENDENT DIRECTOR

BOARD APPOINTMENT:
- Date of first appointment as Independent Director: November 2014
- Date of last election as a director - May 2015
- Length of service as a director: 1 year

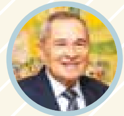
BOARD COMMITTEE(S) SERVED ON:
- Member, Audit Committee
- Member, Nomination and Election Committee
- Member, Compensation and Remuneration Committee

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



CESAR A. BUENAVENTURA
NON-EXECUTIVE DIRECTOR

BOARD APPOINTMENT:
- Date of first appointment as a director: May 2001
- Date of last re-election as a director: May 2015
- Length of service as a director: 14 years

PRESENT DIRECTORSHIPS IN LISTED COMPANIES AND POSITIONS:
- Non-executive Director 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
- BS Business Economics University of the Philippines, Diliman
- Spanish, Instituto de Cultura Hispanica Madrid, Spain

AFFILIATION:
- Fellow, Institute of Corporate Directors

MA. CRISTINA C. GOTIANUN
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 2015
- Length of service as a director: 9 years

BOARD COMMITTEE(S) SERVED ON:
- Member, Compensation and Remuneration Committee
- Member, Risk Committee
- Member, Compliance Committee (sub-Committee, Audit Committee)

OTHER DIRECTORSHIPS AND POSITIONS:
- Assistant Treasurer, DMCI Holdings, Inc. (within Company Group)
- 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:
- B.S. Industrial Management Engineering De La Salle University, Manila

JORGE A. CONSUNJI
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: 14 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

HERBERT M. CONSUNJI
NON-EXECUTIVE DIRECTOR

BOARD APPOINTMENT:
- Date of first appointment as a director: May 2001
- Date of last re-election as a director: May 2015
- Length of service as a director: 14 years

BOARD COMMITTEE(S) SERVED ON:
- Chairman, Risk Committee

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.
- Treasurer, SEM-Calaca Res Corporation
- Partner, H.F. Consunji & Associate.

EDUCATION:
- B.S. Commerce Major in Accounting De La Salle University, Manila

GEORGE G. SAN PEDRO
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 2015
- Length of service as a director: 14 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

MA. EDWINA C. LAPERAL
NON-EXECUTIVE DIRECTOR

BOARD APPOINTMENT:
- Date of first appointment as a director: May 2007
- Date of last re-election as a director: May 2015
- Length of service as a director: 8 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

JOSEFA CONSUELO C. REYES
NON-EXECUTIVE DIRECTOR

BOARD APPOINTMENT:
- Date of first appointment as a director: March 2015
- Date of last election as a director: May 2015
- Length of service as a director: 10 months

PRESENT DIRECTORSHIP IN LISTED COMPANY AND POSITION:
- Nil

OTHER DIRECTORSHIPS AND POSITIONS:
- Director, Sem-Calaca Power Corp.
- General Manager, Manila Herbal & Essential Oils. Co., Inc.

EDUCATION:
- A.B. Economics University of British Columbia, Canada
- Executive Certificate for Strategic Business Economics Program University of Asia & The Pacific

FIVE-YEAR SUMMARY

IN MILLION PHP

	2015	2014	2013	2012	2011
SELECTED IS ITEMS					
Revenues	24,680.17	28,585.34	27,331.16	24,150.25	25,813.58
Cost of Sales	10,542.09	18,927.49	14,110.50	14,643.94	16,660.62
Gross Profit	14,138.08	9,657.85	13,220.66	9,506.31	9,152.97
OPEX	4,389.08	3,232.99	5,264.52	3,398.38	2,856.26
NIBT	9,668.99	6,308.43	7,401.75	6,398.24	6,009.88
Income Tax	1,182.08	(552.87)	117.84	(39.60)	21.89
NIAT	8,486.91	6,861.29	7,519.59	6,342.25	6,031.14
SELECTED BS ITEMS					
Cash and Cash Equivalents	4,745.61	3,683.13	4,819.31	534.39	5,005.24
Total Assets	57,157.04	51,901.38	44,727.39	36,195.33	35,629.54
Total Liabilities	30,255.96	29,195.16	24,599.88	19,325.00	20,826.45
Stockholders' Equity	26,901.08	22,706.21	20,127.51	16,870.33	14,803.08
KEY FINANCIAL RATIOS					
Gross Profit Margin	0.57	0.34	0.48	0.39	0.35
Net Profit Margin	0.34	0.24	0.28	0.26	0.23
EBITDA	11,631.65	8,615.78	11,634.98	9,764.21	9,402.78
*EPS	7.94	6.42	7.04	5.95	5.64
Current Ratio	0.97	1.05	1.48	0.96	1.25
DE ratio	1.12	1.29	1.22	1.15	1.41
Return on Assets	0.15	0.13	0.17	0.18	0.17
Return on Equity	0.32	0.30	0.37	0.38	0.41

*restated to post-stock dividend outstanding shares

SHARE PRICE MOVEMENT

TOP 20 SHAREHOLDERS

AS DECEMBER 31, 2015

	STOCKHOLDER NAME	SHARES	%
1	DMCI HOLDINGS, INC.	601,942,599	56.32%
2	PCD NOMINEE CORP. (F)	149,126,390	13.95%
3	DACON CORPORATION	130,825,527	12.24%
4	PCD NOMINEE CORP. (NF)	114,574,067	10.72%
5	NATIONAL DEVELOPMENT COMPANY	34,093,974	3.19%
6	DFC HOLDINGS, INC.	20,591,229	1.93%
7	FREDA HOLDINGS, INC.	4,612,883	0.43%
8	REGINA CAPITAL DEVELOPMENT CORP.	2,409,000	0.23%
9	FERNWOOD INVESTMENTS, INC.	2,389,002	0.22%
10	PRIVATIZATION AND MANAGEMENT OFFICE	2,308,350	0.22%
11	GUADALUPE HOLDINGS CORPORATION	1,581,414	0.15%
12	SPRING INVESTMENTS CORPORATION	1,348,992	0.13%
13	AUGUSTA HOLDINGS, INC.	760,425	0.07%
14	BERIT HOLDINGS CORPORATION	452,811	0.04%
15	MERU HOLDINGS, INC	346,800	0.03%
16	COBANKIAT, JOHNNY O.	278,760	0.03%
17	VENDIVEL, OLGA P.	240,000	0.02%
18	GARCIA, JAIME B.	120,090	0.01%
19	WINDERMERE HOLDINGS INC.	105,231	0.01%
20	FERNWOOD INVESTMENTS INC.	84,327	0.01%
		1,068,191,871	**99.95%**

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	23 February Announcement of Full Year Results 2015
06 May Annual Stockholders' Meeting	05 May Annual Stockholders' Meeting	04 May Annual Stockholders' Meeting	02 May Annual Stockholders' Meeting
14 May Announcement of 1st quarter results 2013	8 May Announcement of 1st quarter results 2014	13 May Announcement of 1st quarter results 2015	May Announcement of Q1 2016 results
29 May Payment date of cash dividends at P12.00/share declared on April 30, 2013 based on Unrestricted Retained Earnings for financial year ended December 31, 2012	28 May Payment date of cash dividends at P12.00/share declared on April 29, 2014 based on Unrestricted Retained Earnings for financial year ended December 31, 2013	20 May Payment date of cash dividends at P4.00/share declared on April 22, 2015 based on Unrestricted Retained Earnings for financial year ended December 31, 2014 and adjusted issued and outstanding shares post stock dividend	
08 August Announcement of 2nd quarter results 2013	07 August Announcement of 2nd quarter results 2014	13 August Announcement of 2nd quarter results 2015	August Announcement of Q2 2016 results
	18 August Approval date of Securities and Exchange Commission of Corporation's increase in authorized capital stock from 1 billion shares to 3 billion shares at par value of P1.00		
	24 September Payment or Issuance date of the 200% stock dividend or equivalent of 712,500,000 shares		
12 November Announcement of 3rd quarter results 2013	11 November Announcement of 3rd quarter results 2014	11 November Announcement of 3rd quarter results 2015	November Announcement of Q3 2016 results

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.
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 generation.
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

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