COVER SHEET

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SEC Registration Number

SEMIRARA MINING AND POWER CORPORATION

(Company's Full Name)

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

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

John R. Sadullo
(Contact Person)

888-3055
(Company Telephone Number)

12	31	17-A		
		(Form Type)	*Month*	*Day*
(Fiscal Year)			(Annual Meeting[1])	

(Secondary License Type, If Applicable)

CFD
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

[1] First Monday of May of each year.

SEMIRARA MINING AND POWER CORPORATION

SEC FORM 17-A

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

1. For the fiscal year ended: **December 31, 2017**

2. SEC Identification No.: **91447** 3. BIR Tax ID No.: **000-190-324-000**

4. Exact Name of issuer as specified in its charter: **Semirara Mining and Power Corporation**

5. **Philippines**
Province, Country or other jurisdiction of Incorporation or organization

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

7. **2nd Floor, DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City 1231**
Address of principal office Postal Code

8. **(02) 888-3055 / (02) 888-3955 (Fax)**
Issuer's telephone number, including area code

9. ……………………………………………………………………………………
Former name, Address and fiscal year, if changed since last report

10. Securities registered pursuant to Secs. 8 & 12 of SRC, or Secs. 4 & 8 of RSA

Title of Each Class	Number of Shares Stock Outstanding and Amount of (Long-term) Debt Outstanding
Common	**4,256,129,420 / Php14,468,517,855**

11. Are any or all of these securities listed on a Stock Exchange

Yes (✓) No ( )

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange - Common Shares

12. Check whether the issuer:

(a) Has filed all reports required to be filed by Sec. 17 of the SRC and SRC Rule17 thereunder or Sec. 11 of the RSA and RSA Rule 11 (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes (✓) No ( )

(b) Has been subject to such filing requirements for the past ninety (90) days.

Yes (✓) No ( )

(c) State the aggregate market value of the voting stock held by non-affiliates of the Registrant.[1]

Name	No. Of Shares Held	% of Total	Aggregate Market Value (PHP)
PCD Nominee Corp. (Foreign)	322,830,800	7.59	10,911,681,040.00
Others	989,241,296	23.24	33,436,355,804.80
TOTAL	1,312,072,096	30.83	44,348,036,844.80

[1] Computed on the basis of closing price at Php33.80/share as of March 8, 2018 as quoted by the Philippine Stock Exchange.

SEMIRARA MINING AND POWER CORPORATION
SEC FORM 17-A

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NON-FINANCIAL DISCLOSURE REQUIREMENTS

PART I- BUSINESS AND GENERAL INFORMATION

A. DESCRIPTION OF BUSINESS

(1) Business Development

(a) Form and year of organization. - The Company was incorporated on February 26, 1980 to explore, develop, and mine the coal resources in Semirara Island. To date, the Company has six (6) wholly-owned (100%) subsidiaries:

(i) SEM-Calaca Power Corporation (SCPC) was incorporated on November 19, 2009 to engage in the business of power generation;

(ii) SEM-Cal Industrial Park Developers Inc. (SIPDI) was incorporated on April 27, 2011 to engage the development of economic zone in accordance with Republic Act No. 7916, as amended, otherwise known as the Special Economic Zone Act of 1995;

(iii) Southwest Luzon Power Generation Corporation (SLPGC) was incorporated on August 31, 2011 to engage in the business of power generation;

(iv) Semirara Claystone Inc. (SCI) was incorporated on November 29, 2012 to engage in the business of manufacturing of cement, cement products, and pottery, among others;

(v) Semirara Energy Utilities Inc. (SEUI) was incorporated on February 18, 2013 to perform qualified third-party functions as an alternative electric service provider authorized to serve remote and unviable areas; and

(vi) Southeast Luzon Power Generation Corporation (SELPGC) was incorporated on September 9, 2013 to engage in the business of power generation.

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

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

(2) Business of Issuer

(a) Description of Registrant

(i) Principal product or services and their markets. - The Company generates its revenues through the production and sale of sub-bituminous coal. The coal handling services at the National Power Corporation’s Calaca Power Plants, located in Batangas was terminated after the Company’s wholly-owned subsidiary, SCPC acquired ownership over the Calaca Power Plants in December 2, 2009. Over the years the Company diversified its coal market. For the year 2017, volume sold to export market accounted for 49% of the total coal sales, the power generation sector 41%, cement and other industries at 10%. Year on year, market share varies depending on the demand from each of the major market sector. The total power off-take in 2017 showed a net increase of 25% from 2016 due to higher off-take by its own power generating units at Calaca, Batangas. The Company’s wholly-owned power subsidiary, SCPC supplies power under various bilateral contracts and its excess power generated are sold to Whole Sale Electricity Sport Market (WESM) or the spot market. Total contracted energy in 2017 is at 440.5MW, of which 420MW is for Meralco. Sem-Calaca Industrial Park Development, Inc. intends to develop certain areas within the premises of the Calaca Power Plant into an economic zone to cater certain industries that will benefit due to its proximity to Calaca Power Plants but to date, it still remains under study. The new wholly-owned subsidiary, Semirara Claystone, Inc. was created to primarily engage in the business of manufacturing of cement, cement products, and pottery, among others, it is still under pre-operating stage since it has not yet started production of commercial quantity. SLPGC is currently operating the 2x150 MW Coal Fired Thermal Power Plant, using Circulating Fluidized Bed Technology, located adjacent to the Calaca Power Plants. Total contracted energy in 2017 is at 142.5MW, of which 100MW is for Meralco Finally, SRPGC plans to own, develop and operate a 2x350 MW power plant to be located adjacent to SLPGC’s current location.

(ii) Percentage of sales or revenues and net income contributed by foreign sales for each of the last three years. – For years 2017, 2016 and 2015, the coal segment, foreign sales accounted for 51%, 59% and 36% of gross coal sales revenues, respectively and around 37%, 41%, and 41% in net income after tax, respectively. For the power revenue, 100% is local sales.

(iii) Distribution methods of the products or services. – In general Marketing policy is to sell directly to ultimate consumers for local sales on FOB basis. Export sales are distributed through coal traders, also on FOB basis.

(iv) Status of any publicly-announced new product or services. - Not applicable.

(v) Competition. - Competition is insignificant in so far as domestic coal mine is concerned. The Company remains the largest coal producer in the Philippines. Based on the 2014 production data from Department of Energy, the Company's production output accounted for 97% of total production in the Philippines of 8.41M MT while the nominal balance is shared by small-scale mines in Cebu, Batan Island, Albay, Surigao, Zamboanga and other areas. Nonetheless, domestic coal demand is still anchored heavily on imported coal. The Company only supplies 18% of the total domestic consumption of 20.16 million MTs. The competitiveness of domestic coal producers is challenged by the more superior quality of imported coal as well as the government's policy on liberalization. This is however compensated by the Department of Energy's policy to promote indigenous energy resources and lower freight costs of local coal vis-à-vis imports. The Company remains to be competitive while it continues to exert efforts to improve the quality of its coal and keep production costs low. Common Effective Preferential Tariff rates (CEPT) on coal among ASEAN member nations is 0%, outside ASEAN, the tariff rate is at 5%.

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

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

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

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

(vii) Dependence upon a single customer. – The Company is no longer dependent upon a single customer. It successfully diversified its market base. In 2017, export and local sales registered at 49% and 51% in terms of volume and value respectively. While in 2016, export and local sales registered at 59% and 41% in terms of volume and value, respectively. Power segment was at 47% in 2017 from 45% in 2016. Total sales to power plants registered at 41% from 33%

in 2016. The balance was shared among other power plants, cement plants, other industries, and export markets.

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

Meanwhile, in the power segment, total contracted energy is 583 MW, bulk of which or 520 MW is contracted to Meralco.

(viii) Transactions with and/or dependence on related parties. - Please refer to Note 18 (Related Party Transactions) of Notes to Parent Company Financial Statements and Note 20 (Related Party Transactions) of Notes to Consolidated Financial Statements.

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

(ix) Patents, trademarks, copyrights, licenses, franchises, Concessions and royalty agreements held. - Under its Coal Operating Contract, the Company is required to pay royalties to the Department of Energy (DOE) – at minimum of 3% based on FOB sales or at 30% of net proceeds (gross revenue less all expenses, excluding royalty and corporate tax) and compensation for entry and use of private lands under the provisions of PD 972, as amended by PD 1174, to land owners–₱0.50/MT for untitled land and ₱1.00/MT for titled land.

(x) Need for any government approval of principal products or services. - The Company has secured permits and licenses from the government as follows: a) Coal Operating Contract with the DOE effective until 2012;[2] b) DENR Environmental Compliance Certificate (ECC) No. 9805-009-302; c) DENR Environmental Compliance Certificate ECC-CO-1601-005 for its Molave Coal Project; d) Business Permit issued by Caluya, Antique and Makati City; e) Aerodrome Registration Permit No. AGA-R-009-2017 issued by CAAP-yearly renewable; f) Certificate of Registration of Port Facilities No. 149 until December 31, 2014;[3] and g) DENR Special Land Use Permit No. 6-1-SLUP-OLP002-03152017 until March 15, 2017.[4]

(xi) Effect of existing or probable governmental regulations on the business. – SMPC continue to operate and has not been suspended and neither has it been issued any suspension order nor

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

[3] Renewal of permit is pending with the Philippine Ports Authority.

[4] Renewal of permit and/or conversion to Forest Lease Agreement (FLAG) is pending with DENR.

is there any ongoing mining audit or re-audit, as based on the DENR Environmental Audit on August 25, 2016, SMPC was cleared and compliant with its Environmental Compliance Certificate (ECC). SMPC's operation is under the jurisdiction of the DOE and the latter has issued in August 26, 2016 the results of its own technical audit confirming SMPC's operations does not discharge toxic materials to the mangroves, sulfur content of coal is below 1%, no seaweed farm affected and dumping of overburden materials do not affect nearby communities.

The DENR order on the closure of several mines has no adverse effect whatsoever on the Corporation's business operations and financial condition. In February 2017, the DENR-EMB Region VI issued a special order on the creation of composite team to conduct monitoring, inspection and investigation on SMPC's compliance to its ECC, ambient air and water monitoring of Semirara Island, investigation of alleged reclamation of SMPC and livelihood and community status in the island. It was, however, clarified that the inspection is not an audit but only information gathering and validation of its audit results in 2016.

Based on the results of its data gathering activity in Semirara Island, DENR-EMB Region VI declared SMPC to be very much compliant with the ECC conditionalities as shown by the mining audit conducted in 2016 by the Multi-Partite Monitoring Report. The DENR-EMB noted that:

1. SMPC substantially provided basic services and livelihood assistance to local communities. Reforestation and rehabilitation program are on the top priority of SMPC.
2. Sixty percent (60%) is vegetated or covered with naturally growing and planted trees.
3. On the alleged reclamation, the results showed that there is a considerable increase of land area on the northern tip of the island and extending seaward from the mining pits of Unong, Panian, Molave and Narra, as a result of backfilling and within the coal operating area of SMPC.
4. SMPC has established a Research Center for giant clams and abalone near the Semirara Marine Sanctuary to support the water quality monitoring. Giant clams that thrives in the area is an indicator of good water quality.

SMPC has a pending transfer of the Mineral Production Sharing Agreement (MPSA) from South Davao Development Co., Inc. However, due to regulatory developments on February 14, 2017 relative to the DENR Secretary pronouncement on cancellation of MPSAs, the transfer has been put on hold subject to further evaluation by the Corporation. This, has no material adverse effect whatsoever on the Corporation's business operations and financial condition.

(xii) Estimate of amount spent on research and development Activities (2 fiscal years). - None.

(xiii) Costs and effects of compliance with environmental laws. - The Company has programs being implemented to comply with the conditions of ECC, which includes the Regular Monitoring by the Multi-partite Monitoring Team (MMT), Marine Assessment Studies/Surveys, and Social & Environmental Development Programs such as expanded mangrove areas, initiated and supported livelihood projects, implemented reforestation programs on the island and cultivated marine sanctuary, i.e., giant clams and abalones. The Company has spent ₱1.22 Billion for these activities from 1999-2017. The Company has established an Environmental Monitoring Fund for MMT, which has an initial amount of ₱600,000.00 determined by the work and financial plan of the Monitoring Team. Also, an Environmental Guarantee Fund was established with a cash component of 1.5 Million. This enables the continued mining operations of the Company.

(xiv) Total number of employees. - The number of workforce of the Company is 3,349 and 3,589 for the years 2017 and 2016, respectively, inclusive of employees based at the Company's head office in Makati. Out of the 3,348 workforce for 2017, 2,522 are employed by the Company while the rest are employed by the Company's contractors, one of which is DMC Construction Equipment Resources, Inc., an affiliate of Dacon Corporation. The Company does not anticipate hiring additional employees for the ensuing year except when due to contingencies resulting in separation, resignation, and termination of services of existing employees. The breakdown of the Company's employees according to type, are as follows:

Executive	14
Managers	29
Supervisors	164
Rank and File	2,315
Total	**2,522**

On the other hand, in 2016 total number of SCPC workforce is 648, 573 of which are indirectly employed inclusive of the O&M contractor employees at SCPC's Calaca Power Plant. In 2016 its workforce was 659. SLPGC's workforce total 210, of which 166 are employees while the Company's other subsidiaries, namely: SIPDI, SCI, SEUI, and SELPGC are non-operational, hence, no employees were hired.

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

(xv) Major Risks. - Major business risks are operational, regulatory, and financial risks. For Financial Risk Management Objectives and Policies, please see details in Note 31 to the Audited Consolidated Financial Statements. The operational and regulatory risks are being mitigated by the company's compliance to its IMS Policy which is ISO certified. Its Integrated Management System (IMS) covers the following: Quality Management System (ISO9001:2008), Environmental Management System (ISO 14001:2004) and Occupational, Health and Safety System (OHSAS 18001:2007). The Company is ISO certified since 2008. Recently, SMPC has successfully transitioned and passed conformance to the 2015 versions of ISO 9001 and ISO 14001 on quality and environmental management systems, respectively. The new versions require an embedded risk-based approached and take into account the engagement of various key stakeholders. Meanwhile, its power subsidiary mitigates its business risks by employing equipment redundancy to manage the risk of prolonged unplanned shutdowns and by securing business interruption insurance for its power plants.

B. DESCRIPTION OF PROPERTY

(1) **Property.** - The mine site located in Semirara Island, Caluya, Antique, is part of the coal mining reservation under Proclamation No. 649 issued by then President Manuel L. Quezon on November 20, 1940. Certain areas in the mine site are leased with rental payments of PhP7.436 million for 2017. The infrastructures and road network, office administration buildings, and power plants, are some of the improvements made by the Company on the leased area, as well as the following:

a. Building/Offices:	Units			Units
Administration Building	1		Motorpool MWS	1
Analab Building	1		MS1 Building	1
Civil Works Office & Warehouse	1		MS2 Building	1
Coal Power Plant 2 x 7.5MW	1		MS3 Building	1
Coal Power Plant 1 x 15 MW	1		MS4 Building	1
Coal Silo	4		MS5 Building	1
Core House	1		MS7 Building	1
CRO Office	1		Oxygen/Acetylene Building	2
Diesel/Bunker Power Plant	1		Molave Pit Office	1
Drilling Shop	1		Molave Pitshop	1
Genset Shed at CPP	1		Narra Pit Office	1
HRD Office & Library	1		Product Office	1
Lime Plant	1		RMO Office	1
Magazine Building	3		Sandblasting & Painting	3
Main Workshop	1		Shipping Mayflower Office	1
Warehouse Main & Auxiliary Bldg.	1		Shipping Shipyard Office	1
Coal Shed at Product	1		MWS Tire Shop	
b. Housing:				
Altar Boys Quarter	1		Molave Housing (Laborer's Unit)	1,022
Group Staff House	2		Pinatubo Housing	51
Individual Staff House	3		Molave Phase 1 Extension	32
Kalamansig Housing	103		Waffle Crete Building	2
Laborer's Clusters 1-8	78		IS Extension	59
Bunlao Phase 5 & 6 Housing	200		Tabunan Staff House	3
Lebak Housing	154			
c. Others:				
Commuter Terminal	1		Messhall at Waffle Crete	1
Covered Tennis Court	1		Mix Commercial Building	3
Gantry at Mayflower	1		Multi-Purpose Gym	3
Gantry at MWS	1		Multi-Purpose Hall at Bunlao	1
Grotto	1		Evacuation Shed at Bunlao	1
Hangar	4		Multi-Purpose Hall at Phase 1	1
Material Recovery Facility	1		Evacuation/Covered Court at Pinatubo	1
Messhall 1	1		MultiPurpose Hall at Phase 4	1
Messhall at Cluster 5	1		ONB ATM Machine Building	1
Messhall at Cluster 7	1		Oval at Pinagpala Area	1
Semirara Plaza	1		Indoor Swimming Pool at Pinagpala	1
5K Slipway	1		Pall Water Filtration Plant	1
SMC Infirmary	1		Pottery Building	1
Tabunan Hatchery & Laboratory	1		Semirara Airstrip	1
Desalination Plant	1		7.0 LM Wind Breaker	1

All properties with the net book values are active assets. These are all located in Semirara Island, Caluya, Antique (mine site). All properties are free of any liens and encumbrances. The Company also invested in mining and other equipment worth PhP3.852 billion, PhP2.611 billion, and PhP1.816 billion, for 2017, 2016 and 2015, respectively.

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

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

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

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

(2) **Mining and Oil Companies.** - The mining claims are located in Semirara Island, Caluya, Antique covering an area of 3,832 hectares. On March 10, 1999, the Company was granted an Exploration Permit for a period of two years and renewable for a like period for a maximum of 6 years. The Exploration Permit is for limestone, silica and other quarry minerals. On June 28, 2004, the Mines & Geoscience Bureau issued a renewal of the permit. The Company during the term of the Exploration Permit undertook geological mapping, rock sampling and analysis and beneficiation testing. The preliminary exploration conducted by the Company indicates a considerate resource of limestone, silica and clay with potential commercial value. As of December 31, 2016, the Company's application to convert its Exploration Permit to Mineral Production Sharing Agreement (MPSA) remains pending with the Mines & Geosciences Bureau.

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

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

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

C. LEGAL PROCEEDINGS

The following are the existing legal cases of the Company:

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

   On August 28, 1984, HGL entered into a Forest Land Grazing Lease Agreement (FLGLA No. 184) with the DENR covering a 367-hectare land located at the Barrios of Bobog and Pontod, Semirara, Antique. In its Order dated December 6, 2000, DENR cancelled FLGLA No. 184 explaining that the subject area is within the coverage of Proclamation No. 649, which set apart the island of Semirara in the Province of Antique as coal mining reservations.

   HGL filed a letter requesting a reconsideration of the Order but the request was denied in the DENR's letter-Order dated December 9, 2002.

The Caloocan Case

On November 17, 2003, HGL filed a complaint (Civil Case No. C-20675) against the DENR for specific performance and damages in Branch 121, Regional Trial Court of Caloocan City (RTC-Caloocan). HGL prayed that DENR should perform its obligations under FLGLA No. 184 and pay HGL for moral and exemplary damages and attorneys' fees.

On March 2, 2004, SMPC filed a Motion for Intervention because the Order canceling FLGLA No. 184 sought to be reconsidered by HGL covers property located in the island of Semirara, Antique, which motion was granted by RTC-Caloocan. Subsequently, SMPC filed a Motion to Dismiss for lack of cause of action/jurisdiction and forum shopping. SMPC's prayer for dismissal and its subsequent Motion for Reconsideration having been both denied, SMPC filed its Petition for Review (G.R. No. 92238) with the Court of Appeals (CA) on November 28, 2005 on the premise that RTC-Caloocan has no jurisdiction over the case.

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

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

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

Citing as basis the dismissal of the Culasi Case (SMPC vs. HGL) on the ground of forum shopping, SMPC filed a Motion to Dismiss with RTC-Caloocan (Civil Case No. C-20675). However, RTC-Caloocan denied the motion on December 24, 2008 and cited SC decision on G.R. No. 180401 (DENR vs. HGL) to sustain its decision to retain jurisdiction over the case. With the denial of its Motion for Reconsideration on June 24, 2009, the SMPC filed a Petition for Certiorari with the CA on September 14, 2009 (CA-G.R. SP No. 110460). On October 3, 2013 the CA dismissed SMPC's petition to which a Motion for Reconsideration was filed on November 22, 2013, which was likewise denied by the CA.

On May 29, 2014, SMPC filed its Petition for Review on Certiorari under Rule 45 with the Supreme Court (SC G.R. No. 212018). After directives given by the SC in June 2017, SMPC filed its Reply to HGL's Comment to the Petition. The case remains pending to date.

The Culasi Case

HGL also filed a separate case (Civil Case No. C-146) against SMPC on November 17, 2003 in Branch 13 of the Regional Trial Court of Culasi, Antique (RTC-Culasi) for the recovery of their alleged possession of a 367-hectare land located at the Barrios of Bobog and Pontod, Semirara, Antique. HGL prayed for (i) the issuance of a preliminary mandatory injunction in order to secure immediate possession of the property pending litigation, and (ii) actual, moral and exemplary damages and attorney's fees in the total amount of P10 million. SMPC received the summons on January 15, 2004.

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

On September 16, 2004, the RTC-Culasi granted HGL's prayer for preliminary mandatory injunction, which order was affirmed by the CA-Cebu (CA-G.R. CEB-SP No. 00035). SMPC elevated the case to the SC (SC G.R. No. 166854) by way of Certiorari with prayer for Temporary Restraining Order (TRO) and/or Injunction to be issued against HGL, the CA-Cebu and RTC-Culasi. The SC initially granted the TRO on March 2, 2005, but on December 06, 2006, the SC promulgated its decision, which denied SMPC's Petition for Certiorari and lifted the TRO. On January 18, 2007, SMPC filed its Motion for Reconsideration and later on January 25, 2007 due to the ruling by the CA in the Caloocan case filed a

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

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

Thereafter, on February 6, 2008, HGL filed before the SC a Petition for Indirect Contempt (SC G.R. No. 181353). HGL alleged, among others, that the dismissal of the Culasi case constitutes indirect contempt as HGL was not able to implement the SC's decision dated December 6, 2006 (affirming the earlier order of RTC-Culasi granting HGL's prayer for preliminary mandatory injunction) and resolution dated February 14, 2007, as RTC-Culasi dismissed the main case or the Culasi case on the ground of forum shopping. SMPC filed its Comments/Opposition to the Petition. Subsequently, the SC required the parties to submit their respective Memoranda.

In its Decision dated June 6, 2016, the SC stated that "[t]he Petition for Indirect Contempt is completely baseless" since SMPC was repetitively raising the issue of forum shopping through various motions and petitions and at different stages of Civil Case No. C-146, was tenacious, at worst, but not contumacious (pg.29), as Judge Penuela merely made an error of judgment when he dismissed the case based on forum shopping. Further, HGL further breached the principle of judicial hierarchy in directly filing its Petition for Certiorari before the SC (pg.31).

The Decision of RTC-Culasi in dismissing the case (Civil Case No. C-146) on the ground of forum shopping was a valid decision albeit erroneous. HGL instead of filing an appeal under Rule 41 to the Court of Appeals sought the remedy of a Petition for Indirect Contempt and in the alternative Certiorari under Rule 65. HGL likewise filed this petition two days beyond the allowed reglementary period under the Rules of Court.

Despite the defects of the Petition filed by HGL, the Court partly granted the same in the interest of substantive justice and equity. Thus, in consideration of the extraordinary circumstances and the interest of substantive justice and equity, the SC partially grants the Petition, which reinstates the case (Civil Case No. C-146) and remands it to RTC-Antique for the specific purpose of hearing and determining the damages to be awarded to HGL for the non-enforcement of the Writ of Preliminary Mandatory Injunction dated October 6, 2004. The hearing for the specific purpose of determining the damages to be awarded is set on April 16, 2018. The case remains pending to date.

2. **Tax Refund/Credit Case**. SMPC filed 0several cases against the Commissioner of Internal Revenue before the Court of Tax Appeals (CTA) for tax credit/refund due to erroneously withheld and remitted VAT on coal sales by National Power Corporation (NPC) in the total amount of ₱190,500,981.23.

   2.1 CTA Case No. 7717 (For ₱11,847,055.07). – On October 15, 2009, the CTA granted SMPC's petition in the amount of ₱11,847,055.07 for VAT withheld for the month of December 2005. The CIR moved for reconsideration. After SMPC filed its comment on November 21, 2009, the CTA on August 10, 2010 issued a Writ of Execution on its decision dated October 15, 2009. The Writ of Execution was served to BIR on August 13, 2010. On September 9, 2015, BIR released the Tax Credit Certificate (TCC) to SMPC. SMPC is now in process of converting the TCC to cash with the BIR.

   2.2. *Commissioner of Internal Revenue vs. Semirara Mining Corporation, G.R. No. 202534 (CTA EB No. 752 [For ₱15,292,054.93]).* – On January 4, 2011, the CTA granted SMPC's petition in the amount of ₱15,292,054.91 for VAT withheld for the month of January 2007. CIR's Motion for Reconsideration was denied on March 18, 2011. CIR appealed the case to CTA *En Banc (CTA EB No. 752)* but the CTA *En Banc* dismissed the CIR's petition for lack of merit. The CIR again moved to reconsider the *En Banc* decision, but was denied on June 28, 2012. Thereafter, the CIR filed a petition for review on certiorari with the Supreme Court *(G.R. No. 202534)*, to which SMPC filed a comment on January 28, 2013 while the CIR filed its reply on June 25, 2013. The petition remains pending to date.

2.3. *Commissioner of Internal Revenue vs. Semirara Mining Corporation, G.R. No. 203621 (CTA EB No. 772 [For ₱86,108,626.19]).* – On February 10, 2011, the CTA granted SMPC's petitions in the amount of ₱86,108,626.10 for VAT withheld for the period covering January 1, 2006 to June 30, 2006. On February 22, 2011, as CIR's Motion for Reconsideration was denied, it elevated the case to CTA *En Banc (CTA EB No. 772),* but was denied by the CTA En Banc on June 22, 2012. The CIR filed its Motion for Reconsideration but was again denied by CTA on September 17, 2012. The CIR filed with the Supreme Court (SC) a Petition for Review on November 5, 2012, but was denied in a minute resolution dated January 30, 2013. On October 10, 2013 an Entry of Judgment was issued. The Corporation filed its Motion for Issuance of a Writ of Execution with the CTA which was granted on January 21, 2014 and served to the BIR on April 27, 2015. BIR is now processing the TCC.

2.4. *Commissioner of Internal Revenue vs. Semirara Mining [and Power] Corporation, G.R. No. 202922 (CTA EB No. 793 [For ₱77,253,245.39]).* - On March 28, 2011, the CTA granted SMPC's petition in the amount of ₱77,253,245.39 for the period covering July 1, 2006 to December 31, 2006. On April 12, 2011, as CIR's Motion for Reconsideration was denied on June 3, 2011 it elevated the case to the CTA *En Banc (CTA EB No. 793),* but the latter, on April 23, 2012 dismiss the petition for lack of merit. As the CIR's Motion for Reconsideration was likewise denied on May 29, 2012, it filed a Petition for Review with the Supreme Court *(G.R. No. 202922).* SMPC filed a Comment on December 28, 2012 to the CIR's Petition. On October 25, 2013, the SC issued a notice granting the CIR's Motion to Admit Reply and a copy of the Reply. One June 19, 2017, the SC denied CIR's petition for review and affirmed the CTA *En Banc's* Decision dated April 23, 2012 and its Resolution dated July 26, 2012. on January 10, 2018, the SC denied CIR's motion for reconsideration with finality and ordered that an entry of judgment be issued immediately as there is no substantial argument to warrant a modification of the SC decision.

3. **Specific Performance Case**. – The complaint docketed as *Power & Synergy, Inc. vs. SMPC, et. al, Civil Case No. Q-10-66936, RTC-QC, Branch 97* alleges fraudulent acts against SMPC and its directors and officers, and prayed that defendants jointly and severally perform and comply with the terms and conditions under the Consultancy Agreement. PSI is in effect claiming a success fee of ₱1.3 billion (due to increase in coal volume sold to NPC) by the end of 2010. On June 2, 2010, SMPC moved for the dismissal of the complaint for lack of jurisdiction and improper venue in so far as other individual defendants are concerned, and the complaint states no cause of action. The RTC required PSI to pay the correct docket fees, but PSI moved for reconsideration, which was later denied by the Court. On August 22, 2014, SMPC moved for the dismissal of the case for failure of PSI to comply with the order of the Court to pay the correct docket fees. On October 1, 2015, the Court issued an Order finding the motion of SMPC to be meritorious and dismiss PSI's complaint with prejudice. However, PSI has successfully appealed the case to the CA (G.R. No. 106444) and has requested the CA on November 14, 2016 to refer the case for mediation. One June 30, 2017, the CA denied PSI's appeal and affirmed the RTC Order dated October 1, 2015. Considering that no motion for reconsideration or Supreme Court petition has been filed by PSI, the RTC Decision dated June 30, 2017 became final and executory on July 29, 2017.

4. **Forcible Entry Case.** – The complaint docketed as *Gabinete, et. al. vs. SMPC, et. al., Civil Case No. 210-C, MCTC-Pandan, Antique* hinges from the alleged entry of SMPC to a portion of plaintiffs' properties located in Barangay Alegria, Caluya, Antique. The occupation of SMPC was based on the authority of the new owner of the property. Plaintiffs' prayed that the Court order defendants to vacate the properties and pay damages and attorney fees. On March 11, 2014 SMPC submitted its affidavits and position paper as required by the Court. The case is submitted for resolution/decision of the Court.

5. **Annulment of Deeds of Sale Case. –** The complaint docketed as *Gabinete, et. al., vs. SMPC, et. al., Civil Case No. C-260, RTC-Culasi, Antique, Branch 13* seeks the annulment of the deeds of sale which plaintiff executed with the defendant, George G. San Pedro covering parcels of land located in Brgy. Alegria, Caluya, Antique due to alleged unsound mind of the plaintiff at the time of execution. Pre-trial conference was scheduled on March 19, 2018. The case remains pending to date.

6. **Damages.** – The case docketed as *Bauer Foundations Philippines, Inc., Plaintiff, vs. Semirara Mining Corporation and/or Victor A. Consunji and/or Jaime B. Garcia, Defendants, Civil Case No. R-QZN-14-04802CV, Regional Trial Court-Quezon City, Branch 100*. Plaintiff Bauer Foundations Philippines, Inc. (Bauer) alleged that SMPC, in bad faith, prevented it from drilling and grouting the remaining 35 holes of the agreed 122 holes in violation of the parties' agreement. The agreement generally covered the construction of numerous drilled shafts of 1.2-meter-diameter with a depth of 150 meters to be filled with

grout and/or concrete for the fault line areas at coal mining area of the SMPC in Semirara Island, Caluya, Antique. In view of such alleged breached, Bauer is asking the court that the SMPC be adjudged to pay the amount of PhP7 million for actual damages representing unpaid value of the 35 undrilled holes, PhP500,000.00 exemplary damages, PhP100,000.00 litigation expenses, and costs of suit. Contrary, however, to the allegations of Bauer, it is Bauer which failed to perform and deliver based on the timeline as agreed. Answer was filed on July 14, 2014. On February 27, 2017, the Court rendered its Decision dismissing the complaint, as Bauer was not able to prove its case by preponderance of evidence. Its motion for reconsideration was likewise denied per Order dated July 10, 2017. Bauer's Notice of Appeal was given due course by the RTC per Order dated September 22, 2017. On November 9, 2017 the CA (CA-G.R. CV No. 109769) required the parties to submit their Briefs. The case remains pending to date.

7. **Illegal Dismissal Case. –** This is an illegal dismissal case filed by Engr. Bornea docketed as *Bornea, Jr., vs. SMPC, et. al., NLRC Case No. RAB-IX-11-00663-11* with the Arbitration Branch of Davao seeking for his reinstatement as the Foreman Supervisor of SMPC's mining facility in Caluya, Antique. Bornea alleged that there was no justifiable ground for dismissal and that due process was not observed. On April 24, 2012, the Labor Arbiter resolved to dismiss the complaint for lack of merit. Bornea appealed the case (MAC-06-012592-2012), but the NLRC-Cagayan de Oro City, which dismissed the appeal in its Decision dated December 28, 2012. On February 19, 2013, Bornea moved to reconsider the NLRC decision, but the same was denied on March 27, 2013. NLRC issued an Entry of Judgement on September 2, 2013. Despite this, Bornea filed with the CA a Petition for Certiorari under Rule 65 (CA G.R. SP No. 05581-MIN), and the CA took cognizance of the case. On November 20, 2015, the CA denied Bornea's petition. Bornea elevated the case to the SC (G.R. No. 222142) assailing the denial of its petition for certiorari by the CA. On February 24, 2016, the SC issued a Resolution denying Bornea's petition for review on certiorari for failure to sufficiently show any reversible error on the challenged CA decision dated November 22, 2015. As of November 8, 2017, said award for reimbursement has already been settled by SMPC. Thus, upon payment, Bornea's case is closed and terminated as he has executed a Release Waiver and Quitclaim before Labor Arbiter Pasion of NLRC-Davao.

8. **Illegal Dismissal with Money Claims Case. –** The complaint was docketed as *Jimmy S. Juntilla vs. SMPC and Victor A. Consunji, President, NLRC Case No. RAB-XI-04-00269-16, Regional Arbitration Branch No. XI, Davao City*. Juntilla is a Dump Truck Driver of the Corporation's mine site in Semirara Island, Caluya, Antique. He alleged to have been illegally dismissed and now seeking separation pay from the Corporation. SMPC, however, argued that the dismissal was for a valid cause. On October 28, 2016, the Labor Arbiter dismissed the complaint for lack of merit. On June 9, 2017, Juntilla moved for reconsideration, but was denied on July 31, 2017. On October 20, 2017 SMPC received a copy of Juntilla's petition for certiorari with the CA-Mindanao Station (CA G.R. SP No. 08353) praying for the reversal of the NLRC Decision dated May 25, 2017 and Resolution dated July 31, 2017. The CA referred the case to Court-Annex Mediation, which was scheduled on February 27, 2018. At the mediation, the parties executed a compromise agreement and SMPC was given until March 28, 2018 to ensure that the financial assistance is received by Juntilla.

9. **Declaratory Relief with Injunction Case. –** This is a case filed by SMPC against the *BIR*, *Bureau of Customs & Department of Finance under Civil Case No. 13-1171, RTC Makati Br. 146*. On May 21, 2013 SMPC was granted a Certificate of Qualification for Tax Exemption under PD 972 by the DOE for its 36,000,000 liters of diesoline. SMPC made 1st partial shipment of 6,16,367 liters. BIR assessed VAT and excise tax on said shipment in the amount of P27 million which was paid under protest. As a result SMPC filed a petition for Declaratory Relief with the RTC on October 3, 2013 seeking to enjoin BIR, BOC from implementing BIR RR No. 2-2012 by imposing advance payment of VAT on SMPC importation of diesel fuel for its own use and consumption. BIR rationalizes its issuance of RR No. 2-2012 for the purpose of curtailing smuggling. While under said regulations payment of VAT is subject to right of refund by SMPC (effectively 0% rated) being exempted from VAT under its COC and PD 972, SMPC contested the application of said regulation as it effectively diminishes its exemption granted by law and impairs the rights under its COC pursuant to the non-impairment clause of the Constitution.

   On October 30, 2013, SMPC secured a 20-day TRO and on November 21, 2013 the RTC issued a preliminary injunction against the BIR, BOC and DOF in so far as the implementation of said regulation specifically against SMPC. Defendants moved for reconsideration, but were denied by the RTC on February 4, 2014. On February 10, 2014, the RTC resolved to grant the SMPC's petition for declaratory relief and declared that in view of the tax exemption provided under PD 972 and the COC, Revenue Regulation No. 2-2012 issued by the respondents was held inapplicable to the SMPC's direct importation of petroleum products.

As a result, the DOF and BOC filed a petition for review on certiorari under Rule 45 of the Rules of Court (ROC) with the SC (G.R. No. 211188) on April 8, 2014 while the BIR on May 13, 2014 filed with the CA (CA-G.R. No. 135364) a petition for review under Rule 65 of ROC with prayer for TRO and/or writ of preliminary injunction. Meanwhile, SMPC filed a petition on September 2, 2015 with the CTA (CTA Case No. 9133) in view of the denial by the BIR of its claim for tax refund in the amount of PhP27,341,714.00 as VAT paid under protest.

SC G.R. No. 211188
This case is an offshoot of the RTC-Makati City (Br. 146) Order dated February 4, 2014 and its Resolution dated February 13, 2014, which granted SMPC's petition for declaratory relief. Thus, the DOF and BOC filed a Petition for Review on Certiorari under Rule 45 of the Rules of Court with the Supreme Court on April 08, 2014 assailing the RTC's Resolution dated February 13, 2014. On October 28, 2016, SMPC filed its Memorandum. The petition is pending resolution by the SC.

CA G.R. SP No. 135364
This case is likewise an offshoot of the RTC-Makati City (Br. 146) Order dated February 4, 2014 and its Resolution dated February 13, 2014, which granted SMPC's petition for declaratory relief. Thus, the BIR filed a Petition for Certiorari under Rule 65 with prayer for TRO and/or Writ of Preliminary Injunction with the Court of Appeals on May 13, 2014. In a Resolution dated July 23, 2014, the CA ruled that the petition as "deemed abandoned" for having been filed out of time. The BIR filed an MR, which was denied in a Resolution dated January 26, 2015.

CTA Case No. 9133
This is case is a petition for review filed on September 2, 2015 by SMPC on the denial of its claim by the BIR for tax refund involving the amount of Php27,341,714.00 as VAT paid under protest for the first shipment of its diesoline importation. With the filing of BIR's comments on October 19, 2016 to SMPC's formal offer of evidence filed on October 11, 2016, the case is now submitted for resolution with the CTA.

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

PART II – SECURITIES OF THE REGISTRANT

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

(1) **Market Information**

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

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

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

SMPC embarked on buying back its shares approved by the Board on August 15, 2016. The buy-back program was undertaken to enhance shareholder's value and to provide stockholders an opportunity to liquidate their investments. On December 7, 2017, the Board further approved the buy-back program of its shares worth Php2 billion based on trading price at the open market through the trading facilities of the PSE beginning December 8, 2017. To date, its treasury shares stands at 8,479,870.

The market capitalization of the Company as of end-2017, based on the closing price of ₱36.80 is approximately ₱156.71 billion. As of March 8, 2018, the Company's capitalization stood at ₱143.86 billion based on the ₱33.80/share closing price.

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

	High	Low	Close
2018			
Jan-Mar[5]	154.40	129.70	147.40
2017			
Jan-Mar	154.40	129.30	147.60
Apr-Jun	165.00	147.60	160.50
Jul-Sep*	50.00	39.95	46.70
Oct-Dec*	46.70	34.70	36.80
2016			
Jan-Mar	138.80	117.30	131.30
Apr-Jun	132.50	112.00	125.10
Jul-Sep	126.10	95.50	113.90
Oct-Dec	135.00	113.90	130.00
2015			
Jan-Mar	168.70	140.00	167.00
Apr-Jun	169.60	136.20	142.50
Jul-Sep	147.00	110.80	136.10
Oct-Dec	143.00	128.80	136.50

**adjusted due to stock dividend declaration effective September 12, 2017.*

(2) **Holders.** – As of March 8, 2018 the Company has 701 shareholders, with 4,256,129,420 common shares outstanding, as a result of the buy-back program approved by the Board in 2016 and 2017, respectively. The buyback program was undertaken shareholder's value and to provide stockholders an opportunity to liquidate their investments. To date, the Corporation's treasury shares stood at 8,479,870.

Title of Class	Name	Number of Shares Held	% of Total
Common	DMCI Holdings, Inc.	2,407,770,396	56.57
Common	PCD Nominee Corp. (Filipino)	690,365,980	16.22
Common	Dacon Corporation	532,993,408	12.52
Common	PCD Nominee Corp. (Foreign)	322,830,800	07.59
Common	Others	302,168,836	07.10

Names of Top Twenty (20) Stockholders as of March 8, 2018 (Common Stockholders):

No.	Name of Stockholders	No. of Shares	Percentage
1.	DMCI Holdings, Incorporated	2,407,770,396	56.57
2.	PCD Nominee Corp. (Filipino)	690,365,980	16.22
3.	Dacon Corporation	532,993,408	12.52
4.	PCD Nominee Corp. (Foreign)	322,830,800	7.59
5.	Privatization Management Office	145,609,296	3.42
6.	DFC Holdings, Inc.	82,364,916	1.94
7	Freda Holdings, Inc.	18,451,532	0.43

[5] As of March 8, 2018.

8.	Regina Capital Development Corp.	10,179,400	0.24
9.	Fernwood Investments, Inc.	9,667,764	0.23
10.	Double Spring Investments Corporation	6,641,220	0.16
11.	Guadalupe Holdings Corporation	6,325,656	0.15
12.	Berit Holdings Corporation	1,041,409	0.10
13.	Dacon Corporation	3,293,520	0.08
14.	Augusta Holdings, Inc.	3,041,700	0.07
15.	Fernwood Investments Inc.	3,012,260	0.07
16.	Meru Holdings, Inc.	1,387,200	0.03
17.	Great Times Holdings Corporation	1,210,236	0.03
18.	Cobankiat, Johnny O.	1,115,040	0.03
19.	Vendivel, Olga P.	960,000	0.02
20.	Windermere Holdings Inc.	762,168	0.02

(i) The table sets forth the record or beneficial owners of more than 5% of the outstanding common shares of the Corporation, which are entitled to vote and the amount of such record or beneficial ownership as of March 8, 2018:

Title of Class	Names	No. of Shares	% of Total
Common	DMCI Holdings, Inc.	2,407,770,396	56.57
Common	PCD Nominee Corp. (Filipino)	690,365,980	16.22
Common	Dacon Corporation	532,993,408	12.52
Common	PCD Nominee Corp. (Foreign)	322,830,800	07.59

(ii) each director and nominee

Office	Names
Chairman & CEO	Isidro A. Consunji
Vice-Chairman, President & COO	Victor A. Consunji
Independent Director	Rogelio M. Murga
Independent Director	Honorio O. Reyes-Lao
Director	Jorge A. Consunji
Director	Cesar A. Buenaventura
Director	Herbert M. Consunji
Director, EVP & Chief Information Officer	Maria Cristina C. Gotianun
Director	Ma. Edwina C. Laperal
Director	Josefa Consuelo C. Reyes
Director	Luz Consuelo A. Consunji

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

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership			Citizenship	%
		Direct	Indirect[6]	Total		
Common	Isidro A. Consunji	24,144	4,679,672	4,703,816	Filipino	0.11
Common	Cesar A. Buenaventura	72,120	-	72,120	Filipino	0.00
Common	Victor A. Consunji	144	15,869,736	15,869,880	Filipino	0.37
Common	Jorge A. Consunji	500,144	1,914,956	2,415,100	Filipino	0.06
Common	Herbert M. Consunji	141,120	-	141,120	Filipino	0.00
Common	Honorio O. Reyes-Lao	1,236,040	562,480	1,798,520	Filipino	0.04
Common	Rogelio M. Murga	40,040	-	40,040	Filipino	0.00

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

Common	Maria Cristina C. Gotianun	1,428	10,390,389	10,391,817	Filipino	0.24
Common	Ma. Edwina C. Laperal	4,188	6,553,084	6,557,272	Filipino	0.15
Common	Josefa Consuelo C. Reyes	412,400	1,913,600	2,326,000	Filipino	0.05
Common	Luz Consuelo A. Consunji	45,040	-	45,040	Filipino	0.00
Common	Junalina S. Tabor	-	-	-	Filipino	0.00
Common	Jaime B. Garcia	576,432	-	576,432	Filipino	0.01
Common	Nena D. Arenas	16,000	-	16,000	Filipino	0.00
Common	John R. Sadullo	-	-	-	Filipino	0.00
Common	Antonio R. Delos Santos	60,000	-	60,000	Filipino	0.00
Common	Jose Anthony T. Villanueva	3,000	55,560	58,560	Filipino	0.00
Common	Andreo O. Estrellado	-	-	-	Filipino	0.00
Common	Sharade E. Padilla	22,500	1,080	23,580	Filipino	0.00
Common	Ruben P. Lozada	475,200	-	475,200	Filipino	0.01
Common	Carla Cristina T. Levina	-	-	-	Filipino	0.00
Common	Karmine Andrea B. San Juan	120	-	120	Filipino	0.00
Common	Jojo L. Tandoc	400	-	400	Filipino	0.00
Aggregate Ownership of all directors and officers as a group		3,630,460	41,940,557	45,571,017		1.07

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

Year	Board Approval	Nature	Dividend/Share (PHP)	Total Amount of Dividend (PHP)	Record Date	Payment Date
2016	4-29-2016	Cash	4.00	4,275,000,000.00	5-17-2016	5-27-2016
2017	2-23-2017	Stock	300%	*	9-15-2017	10-11-2017
2017	3-27-2017	Cash	5.00	5,326,432,150.00	4-11-2017	4-25-2017
2017	8-9-2017	Cash	5.00	5,326,432,150.00	8-25-2017	9-8-2017

**3,195,859,290 shares or three (3) shares for every one common share held.*

(4) **Recent Sales of Unregistered Securities.** - No unregistered securities were sold in 2017, 2016 and 2015.

PART III - FINANCIAL INFORMATION

A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(YEARS 2014-2017)*

Full Years 2016-2017

PRODUCTION – COMPARATIVE REPORT FY 2016 vs FY 2017

Coal

The Company continued to invest in additional CAPEX in 2017 to hit its annual target of 13-14 million metric tons (tons), increasing from 2016's 12 million annual capacity. With increased excavating capacity, total materials moved grew by 7% YoY to 135 million bank cubic meters (bcm) from 125 million bcm in 2016.

Strip ratio for 2017 was 9.51:1, while effective production strip ratio in 2016 was only 5.27 since operations in the first three quarters were in Panian, which was already closed at the end of September. If pre-stripping of Molave and Narra pits are included, total strip ratio in 2016 was 9.08. However, the pre-stripping costs of Molave and Narra are capitalized, in accordance with accounting standards.

Coal production also increased by 3% to 13.2 million tons from 12.8 million tons in 2016. This is inclusive of lower grade coal of 900 thousand tons in 2016 and 1.4 million tons in 2017.

The table below shows the coal segment's comparative production data for 2016 and 2017.

	Q1 '16	Q2 '16	Q3 '16	Q4 '16	2016	Q1 '17	Q2 '17	Q3 '17	Q4 '17	2017	Variance
PRODUCTION											
Total Materials (M bcm)	30.79	36.53	23.77	34.34	125.43	35.18	36.31	30.40	33.48	135.38	8%
Pre-Stripping (M bcm)		28.06	12.21	8.50	48.77					-	-100%
Prod'n Stripping (M bcm)	30.79	8.47	11.56	25.84	76.66	35.18	36.31	30.40	33.38	135.28	76%
Total Coal Prod'n ('000 tons)	3.70	2.18	2.96	3.98	12.82	4.05	3.45	2.60	3.14	13.24	3%
Strip Ratio	6.93	15.38	6.63	7.22	9.08	7.29	9.12	10.29	9.24	9.51	-0.8%
End Inventory (M tons)	1.80	0.41	0.41	1.90	1.90	1.80	1.74	0.41	1.70	1.70	**11%**

POWER

SEM-CALACA POWER GENERATION CORPORATION (SCPC)

The table below shows SCPC's comparative production data for 2016 and 2017.

	Q1 '16	Q2 '16	Q3 '16	Q4 '16	2016	Q1 '17	Q2 '17	Q3 '17	Q4 '17	2017	Variance
Gross Generation, GWh											
Unit 1	346	363	305	354	1,367	-	361	484	542	1,387	1%
Unit 2	-	503	466	569	1,538	562	460	636	470	2,128	38%
Total Plant	**346**	**866**	**771**	**923**	**2,905**	**562**	**822**	**1,120**	**1,012**	**3,515**	**21%**
% Availability											
Unit 1	84%	92%	84%	87%	87%	0%	67%	84%	94%	62%	-29%
Unit 2	0%	82%	76%	89%	62%	92%	79%	99%	75%	86%	39%
Total Plant	**42%**	**87%**	**80%**	**88%**	**74%**	**46%**	**73%**	**92%**	**85%**	**74%**	0%
Capacity Factor											
Unit 1	53%	55%	46%	54%	52%	0%	54%	73%	83%	53%	2%
Unit 2	0%	76%	70%	87%	58%	87%	69%	96%	72%	81%	40%
Total Plant	**26%**	**65%**	**58%**	**70%**	**55%**	**43%**	**62%**	**85%**	**77%**	**67%**	**22%**

Unit 1

Gross Generation:

Q4 '16 vs Q4 '17 – increased due to the plant upgrade done in Q1 2017 which increased its capacity using Semirara coal. Unit 1's average capacity in Q4 2017 was 263MW, up from Q4 2016's 186MW.

YTD '16 vs YTD '17 – despite higher capacity, increase was only 1% due to Unit 1's scheduled maintenance shutdown which started on 15 December 2016 and lasted throughout Q1 of 2017.

Availability:

Q4 '16 vs Q4 '17 – scheduled maintenance shutdown started on 15 December 2016. Maintenance works included repairs of boiler tube leaks, vibrations of turbine bearing and removal of slags.

YTD '16 vs YTD '17 – decreased due to extended shutdown of the unit in Q1 2017.

Capacity Factor:

Q4 '16 vs Q4 '17 – increased due to the plant upgrade done in Q1 2017 which increased its capacity using Semirara coal. Unit 1's average capacity in Q4 2016 was 263MW, up from Q4 2016's 186MW.

YTD '16 vs YTD '17 – despite higher capacity, increased only by 2% due to extended shutdown of the unit in Q1 2017.

Unit 2

Gross Generation:

Q4 '16 vs Q4 '17– decreased due to shut down for repairs in Q4 2017. Unit 2's average capacity in Q4 2017 was 287MW, up from Q4 2016's 293MW.

YTD '16 vs YTD '17 – increased due to the plant's continuous operations, with minimal outages, unlike in 2016 when the unit underwent maintenance shutdown that lasted until 13 April 2016.

Availability:

Q4 '16 vs Q4 '17 – decreased due to shut down for repairs in Q4 2017. Maintenance works included repairs of boiler tube leaks and turbine.

YTD '16 vs YTD '17 – increased due to the plant's continuous operations, with minimal outages, unlike in 2016 when the unit underwent maintenance shutdown that lasted until 13 April 2016.

Capacity Factor:

Q4 '16 vs Q4 '17 – decreased due to shut down for repairs in Q4 2017, as well as slightly lower average load in Q4 2017 at 287MW from Q4 2016's 293MW.

YTD '16 vs YTD '17 – increased due to the plant's continuous operations, with minimal outages, unlike in 2016 when the plant was down for maintenance shutdown that lasted until 13 April 2016.

Significant event(s):

- Unit 1 was down in Q1 2017 for scheduled maintenance which started on 15 December 2016. This was originally scheduled for a 75-day maintenance shutdown. However, it was extended to allow additional maintenance works to ensure power unit availability during the summer months, as well as to upgrade the unit's output. The upgrade was successful, such that the unit can now run at 250MW to 270MW using Semirara coal; it was only running between 180MW and 200MW in 2016.

SOUTHWEST LUZON POWER GENERATION CORPORATION (SLPGC)

The table below shows SLPGC's comparative production data for 2016 and 2017.

	Q1 '16	Q2 '16	Q3 '16	Q4 '16	2016	Q1 '17	Q2 '17	Q3 '17	Q4 '17	2017	Variance
Gross Generation, GWh											
Unit 3	65	250	255	141	711	147	295	262	108	812	14%
Unit 4	152	287	111	122	672	74	300	301	200	875	30%
Total Plant	**217**	**537**	**366**	**263**	**1,383**	**221**	**596**	**563**	**308**	**1,687**	**22%**
% Availability											
Unit 3	34%	88%	90%	61%	68%	58%	97%	91%	39%	71%	4%
Unit 4	55%	97%	49%	59%	65%	30%	97%	100%	90%	80%	23%
Total Plant	**45%**	**93%**	**69%**	**60%**	**67%**	**44%**	**97%**	**95%**	**64%**	**75%**	**13%**
Capacity Factor											
Unit 3	20%	76%	77%	43%	54%	45%	89%	79%	33%	62%	**15%**
Unit 4	46%	87%	34%	37%	51%	23%	91%	91%	61%	67%	**31%**
Total Plant	**33%**	**81%**	**55%**	**40%**	**53%**	**34%**	**90%**	**85%**	**47%**	**64%**	**21%**

Unit 3

Gross Generation:

Q4 ’16 vs Q4 ’17 – slightly lower plant performance (lower operating hours offset by higher average capacity at 122MW) contributed to the lower generation for the period.

YTD ’16 vs YTD ’17 – the installation of anti-clogging device during the planned shutdown in January 2017 resulted in higher generation and overall better plant performance (lower outages by 10% and higher average capacity at 130MW).

Availability:

Q4 ’16 vs Q4 ’17– 2018 planned outage was moved earlier to Q4 2017, while higher unplanned outages were recorded in Q4 2017 vs Q4 2016.

YTD ’16 vs YTD ’17 – the improvements installed in Unit 3 resulted in a more dependable plant performance with 10% less shutdown in 2017 compared to 2016.

Capacity Factor:

Q4 ’16 vs Q4 ’17 – decreased due to more outage hours in Q4 2017, slightly offset by higher average capacity of 122MW.

YTD ’16 vs YTD ’17 – better plant performance in 2017 was due to improvements made while the plant was on maintenance shutdown in January.

Unit 4

Gross Generation:

Q4 ’16 vs Q4 ’17 – higher availability and improved average capacity resulted in increased gross generation.

YTD ’16 vs YTD ’17 – the installation of anti-clogging device and replacement of valves during its planned shutdown improved the unit’s performance, increasing its average capacity and lessening outages, thus resulting in a marked improvement in gross generation in 2017 vs 2016.

Availability:

Q4 ’16 vs Q4 ’17 – increased due to lesser outages and improved dependability of the plant.

YTD ’16 vs YTD ’17 – improvements in the plant made during the planned shutdown increased availability in 2017 resulting in 42% decrease in outages compared to 2016.

Capacity Factor:

Q4 ’16 vs Q4 ’17– the unit continued to perform better in Q4 2017, with higher average capacity and increased availability vs Q4 2016.

YTD ’16 vs YTD ’17 – Performance improved after the 45-day planned shutdown done in January to February of 2017. With the installation of the anti-clogging device and replacement of J-valves, the plant’s performance became more reliable.

Significant event(s):

- Both Units 3 and 4 are already on commercial operations since August 2016. The ERC granted the Certificate of Compliance, permitting both plants to run at its maximum capacity of 150 MW, on May 15, 2017.

- Taking over certificate for the 2x150MW Plant is effective starting 5 July 2017.

MARKETING – COMPARATIVE REPORT FY 2016 vs FY 2017

Coal

The table below shows the coal comparative sales volume data for 2016 and 2017 (in thousand tons, except ASP).

Customer	Q1	Q2	Q3	Q4	2016	Q1	Q2	Q3	Q4	2017	Variance
Power Plants											
Calaca	716	756	617	474	2,563	722	972	846	913	3,453	35%
Other PPs	307	424	350	611	1,693	412	497	401	575	1,885	11%
Total PPs	**1,023**	**1,181**	**967**	**1,085**	**4,256**	**1,134**	**1,469**	**1,247**	**1,488**	**5,337**	**25%**
Other Industries											
Cement	147	161	174	228	710	163	270	207	176	817	15%
Others	69	76	63	90	298	113	111	149	194	567	90%
Total Others	**216**	**236**	**237**	**319**	**1,008**	**276**	**380**	**357**	**370**	**1,384**	**37%**
TOTAL LOCAL	1,239	1,417	1,204	1,404	5,264	1,410	1,849	1,604	1,858	6,721	28%
EXPORT	1,674	2,246	1,818	1,813	7,550	2,206	863	1,913	1,401	6,384	-15%
GRAND TOTAL	**2,913**	**3,662**	**3,022**	**3,217**	**12,814**	**3,616**	**2,713**	**3,517**	**3,259**	**13,105**	**2%**
ASP (in PhP)	*1,593*	*1,719*	*1,815*	*2,405*	*1,886*	*2,250*	*2,057*	*2,158*	*1,892*	*2,268*	*20%*

Power Plants:

Q4 '16 vs Q4 '17 – increased deliveries to Calaca plants due to higher availability and average load, other plants slightly decrease in Q4 2017.

YTD 16 vs YTD '17 – increased deliveries to Calaca plants due to higher availability and average load, increase in demand of other existing customers and served new customers in 2017.

Cement Plants:

Q4 '16 vs Q4 '17 – increased demand in 2017.

YTD 16 vs YTD '17 – increased demand in 2017.

Other Industrial Plants:

Q4 '16 vs Q4 '17 – increased demand in 2017.

YTD 16 vs YTD '17 – increased demand in 2017.

Export Sales:

Q4 '16 vs Q4 '17 – lower release of coal for export in 2017.

YTD 16 vs YTD '17 – lower release of coal for export in 2017.

ASP:

Q4 '16 vs Q4 '17– The ASP is lower in Q4 2017 although the price actually increased because of higher global coal prices. Higher liftings of low grade coal for SLPGC which brought down the average selling price (ASP).

YTD 16 vs YTD '17 – increased due to higher global coal prices

POWER

SCPC

The table below shows the comparative marketing data of SCPC for 2016 and 2017 (In GWh, except ASP).

Customer	Q1 '16	Q2 '16	Q3 '16	Q4 '16	2016	Q1 '17	Q2 '17	Q3 '17	Q4 '17	2017	Variance
Bilateral Contracts	422	954	978	922	3,276	586	736	1,031	969	3,322	1%
Spot Sales	2	12	4	29	47	1	79	76	83	239	406%
GRAND TOTAL	**424**	**966**	**982**	**951**	**3,323**	**586**	**815**	**1,107**	**1,052**	**3,560**	**7%**
ASP (in PhP)											
Bilateral Contracts	3.85	2.93	3.14	3.56	3.29	4.13	3.66	3.65	3.86	3.80	16%
Spot Sales	13.44	5.98	8.49	2.62	4.48	4.48	3.16	3.40	2.90	3.17	-29%
Average ASP	*3.90*	*2.97*	*3.16*	*3.53*	*3.31*	*4.13*	*3.61*	*3.63*	*3.78*	*3.75*	*13%*

Bilateral Contracts:

Q4 '16 vs Q4 '17 – increased due to delivery of 100MW non-firm replacement power from 26 June 2017 up to November 2017.

YTD '16 vs YTD '17 – almost no movement

Spot Sales:

Q4 '16 vs Q4 '17 – increased due to higher capacity of Unit 1, the excess is sold to spot.

YTD '16 vs YTD '17 – increased due to higher capacity of Unit 1, the excess is sold to spot.

Bilateral Contracts ASP:

Q4 '16 vs Q4 '17 – increased due to higher fuel component which is based on rising NewCastle Index.

YTD '16 vs YTD '17 – increased due to higher fuel component which is based on rising NewCastle Index.

Spot Sales ASP:

Q4 '16 vs Q4 '17 – slightly higher WESM prices in Q4 2017.

YTD '16 vs YTD '17 – higher WESM prices in 2016

Other Information:

- Of the total energy sold, 93.2% was sourced from own generation, while 6.8% was purchased from the spot market. SCPC procured power from the spot market during hour intervals where power units were down, or when the plants were running at a de-rated capacity, in order to be able to supply committed capacity to some of its customers.

- Existing bilateral contracts: Supply of power to the non-firm contract with San Miguel lasted up to Nov. 2017.

Customers	Terms	No. Years / Mos.	Contract Demand (MW)
Meralco DU	December 26, 2011 - December 25, 2018	7	250
MPower	June 26, 2013 - December 25, 2018	5	170
Batelec 1	March 26, 2013 - March 25, 2018	5	20
San Miguel (non-Firm)	June 26, 2017 - Feb 25, 2018	8 mos.	100
ECSCO	March 26, 2017 - March 25, 2019	2	0.45
Total			540.45

SLPGC

The table below shows the comparative marketing data of SLPGC for 2016 and 2017 (In GWh, except ASP).

Customer	Q1 '16	Q2 '16	Q3 '16	Q4 '16	2016	Q1 '17	Q2 '17	Q3 '17	Q4 '17	2017	Var
Bilateral Contracts	208	413	346	313	1,280	177	266	459	249	1,151	-10%
Spot Sales	41	94	31	31	198	62	266	79	41	448	127%
GRAND TOTAL	**250**	**507**	**377**	**344**	**1,478**	**239**	**532**	**538**	**290**	**1,599**	**8%**
ASP (in PhP)											
Bilateral Contracts	4.57	4.44	4.63	5.27	4.72	5.27	5.16	4.26	5.82	4.95	5%
Spot Sales	2.45	2.77	2.44	1.91	2.52	3.46	3.09	3.08	2.83	3.12	24%
Average ASP	*4.22*	*4.13*	*4.45*	*4.97*	*4.42*	*4.80*	*4.12*	*4.08*	*5.40*	*4.43*	*0%*

Bilateral Contracts:

Q4 '16 vs Q4 '17 – decreased due to end of short-term replacement power contract in November 2017.

YTD 16 vs YTD '17 – decreased as GNPower contract ended in December 2016, slightly offset by the short-term replacement contract with SMEC.

Spot Sales:

Q4 '16 vs Q4 '17 – more excess energy produced in Q4 2017 that was sold to WESM.

YTD 16 vs YTD '17 – more uncontracted power generation after expiration of GNPower contract in 2016.

Bilateral Contracts ASP:

Q4 '16 vs Q4 '17 – slight increase in ASP due to payment of Fixed O&M

YTD 16 vs YTD '17 – increased due to higher New Castle Index in 2017, this is slightly offset by the lower fixed rate for new replacement power contract.

Spot Sales ASP:

Q4 '16 vs Q4 '17 – sold to WESM during hour intervals when prices are higher

YTD 16 vs YTD '17 – sold to WESM during hour intervals when prices are higher

Other Information:

- Of the total energy sold, 93.2% was sourced from own generation, while 6.8% was purchased from the spot market.

- Existing bilateral contracts:

SLPGC Power Supply Contracts				
Customers	Terms	No. Years	Expiring on	Contract Demand (MW)
MPower	Effective March 2016	2.75	25-Dec-2018	100
VECO	Effective December 2015	2.50	25-Jun-2018	42.51
Total				142.51

III. FINANCE

A. Sales and Profitability

Revenues *(In million PhP)*

Before Eliminations

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	7,738	8,883	15%	24,157	29,667	23%	Increased in ASP by 20% due to higher global price index and slight increase in sales volume of 2%
SCPC	3,357	3,979	19%	10,984	13,366	22%	14% increase in ASP; 7% increase in sales volume
SLPGC	1,049	1,562	49%	5,747	7,088	23%	8% increase in 2017 sales volume; 2016 exclusive of the energy sales during commissioning period
Total	**12,144**	**14,425**	**19%**	**40,887**	**50,121**	**23%**	

After Eliminations

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	6,637	6,707	1%	20,079	23,490	17%	Increased in ASP due to higher global price index
SCPC	3,132	3,979	27%	10,758	13,366	24%	14% increase in ASP; 7% increase in sales volume
SLPGC	1,049	1,562	49%	5,747	7,088	23%	8% increase in 2017 sales volume; 2016 exclusive of the energy sales during commissioning period
Total	**10,818**	**12,248**	**13%**	**36,584**	**43,943**	**20%**	

Cost of Sales *(In million PhP)*

Before Eliminations

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	5,729	4,789	-16%	13,018	15,141	16%	Higher strip ratio since it is already normalized at the new mine compared to the favorably low strip ratio during wrapping up of Panian mine in the first 3 quarters. Also higher volume sold and costs of production e.g. fuel. Q4 2017 cost is lower as Q4 2016's cost was inflated with booking of a one-time mine rehabilitation costs.
SCPC	2,103	2,838	35%	7,437	8,093	9%	Inclusive of replacement power procured at PhP3.20/kwh after the plants consumed allowable downtime.
SLPGC	1,001	858	-14%	2,503	3,197	28%	Increased due to recognition of depreciation for the full 4 quarters of 2017 vs only 3 quarters for 2016, as well as increase in cost of coal. The plants were still on commissioning status in Q1 2016, wherein costs were still capitalized.
Total	**8,833**	**8,486**	**-4%**	**22,958**	**26,430**	**15%**	

After Eliminations

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	4,769	4,294	-10%	11,013	11,910	8%	Higher strip ratio since it is already normalized at the new mine compared to the favorably low strip ratio during wrapping up of Panian mine in the first 3 quarters. Also higher volume sold and costs of production e.g. fuel. Q4 2017 cost is lower as Q4 2016's cost was inflated with booking of a one-time mine rehabilitation costs.
SCPC	1,948	1,727	-11%	5,733	5,871	2%	Inclusive of replacement power procured at PhP3.20/kwh after the plants consumed allowable downtime.
SLPGC	835	369	-56%	1,954	2,552	31%	Increased due to recognition of depreciation for the full 4 quarters of 2017 vs only 3 quarters for 2016, as well as increase in cost of coal. The plants were still on commissioning status in Q1 2016, wherein costs were still capitalized.
Total	**7,552**	**6,390**	**-15%**	**18,701**	**20,333**	**9%**	

Consolidated Gross Profit *(In million PhP)*

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	1,868	2,413	29%	9,066	11,579	28%	Due to the significant increase in selling price which offset the increase in cost, hence profitability still increased
SCPC	1,184	2,253	90%	5,025	7,495	49%	Higher coal price index pulled up ASP in 2017, resulting to healthier revenues; while costs increased at a lower rate.
SLPGC	214	1,193	458%	3,793	4,536	20%	2 units were fully operational with higher availability in 2017
Total	**3,266**	**5,858**	**79%**	**17,883**	**23,610**	**32%**	
GP %	51%	50%	-2%	57%	56%	-1%	

Consolidated OPEX *(In million PhP)*

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	64	1,537	2316%	3,224	5,002	55%	Higher revenue generation translated to higher government royalties from Php2.65B in 2016 to PhP4.31B in 2017, In Q4 2017 alone, government royalties accrued amounted to PhP1.28B; General Admin Expenses likewise increased from PhP575M to PhP693M due to increase in personnel costs and others.
SCPC	571	1,321	131%	1,480	2,260	53%	Consists of operating and maintenance cost. This also includes recognition of accelerated depreciation in relation to the planned life-extention works of SCPC power plants in 2019 amounting to PhP840 million in 2017
SLPGC	125	292	134%	295	767	160%	Mainly due to increase in O&M expense and Real Property Tax
Others	0	179	0%	1	179	35660%	Mainly due to derecognition of development costs of Semirara Claystone, Inc.
Total	**760**	**3,329**	**338%**	**4,999**	**8,207**	**64%**	

Consolidated Finance Income *(In million PhP)*

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	21	14	-33%	44	51	16%	Increase because of higher cash for short-term placement
SCPC	3	2	-17%	11	9	-23%	Decrease due to lower cash available for short-term placement
SLPGC	16	7	-55%	28	36	29%	Increase because of higher cash for short-term placement
Ohers	0	0	0%	0	0	0%	
Total	**40**	**23**	**-41%**	**83**	**96**	**15%**	

Consolidated Finance Charges *(In million PhP)*

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	86	144	67%	228	354	55%	Increase in debt level and interest rates in 2017 due to higher benchmark (PDSTR-2)
SCPC	22	22	-1%	90	60	-34%	SCPC's LTD interest-bearing loans was fully paid. Also, a portion of its higher priced long-term loan was converted to cheaper short-term loan.
SLPGC	69	79	15%	280	304	9%	Plant is on commercial operations in 2017 hence finance costs is no longer capitalized, unlike in first half of 2016
Total	**177**	**245**	**39%**	**599**	**718**	**20%**	

Consolidated Foreign Exchange Gain / (Loss) ***(In million PhP)***

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	(172)	(39)	-78%	(347)	(280)	-19%	Due to the partial conversion of USD denominated loans to PhP
SCPC	(15)	(15)	1%	(52)	(105)	100%	Realized loss on its foreign currency denominated transactions
SLPGC	(4)	(7)	69%	(4)	(7)	95%	Realized loss on its foreign currency denominated transactions
Total	**(191)**	**(60)**	**-68%**	**(403)**	**(392)**	**-3%**	

Consolidated Other Income ***(In million PhP)***

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	36	48	32%	171	127	-26%	Realized gain on sale of fully depreciated assets
SCPC	50	414	726%	123	510	315%	Insurance proceeds and deferred revenue arising from receivable from PSALM are booked in 2017. Unit 2 was down in Q1 2016, hence less fly ash is sold as cement additive
SLPGC	645	394	-39%	645	438	-32%	Fly ash sold as cement additive
Total	**731**	**855**	**17%**	**938**	**1,076**	**15%**	

Consolidated NIBT ***(In million PhP)***

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	1,602	754	-53%	5,482	6,122	12%	Higher coal sales pushed profitability up in 2017
SCPC	630	1,311	108%	3,537	5,590	58%	Higher generation and better prices
SLPGC	677	1,216	80%	3,886	3,931	1%	Better plant performance in 2017 translated to improved profits during the year.
Others	-	(179)	100%	(1)	(179)	35660%	Mainly due to derecognition of development costs of Semirara Claystone, Inc.
Total	**2,909**	**3,103**	**7%**	**12,904**	**15,464**	**20%**	

Consolidated Income Tax Provision ***(In million PhP)***

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	57	26	-55%	62	30	-51%	Minimal coal tax provision is due to the Income tax holiday incentive.
SCPC	231	85	-63%	640	1,036	62%	Increase in SCPC's tax provision is a result of increase in profitability in 2017
SLPGC	125	145	16%	162	189	17%	Minimal SLPGC tax provision is due to the Income tax holiday it enjoys as a BOI-registered company. The increase over 2016 is due to income taxes paid on BCQ sales from Spot Purchases
Total	**414**	**255**	**-38%**	**863**	**1,255**	**45%**	

NIAT (In million PhP)

Before Eliminations (Core Income)

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	1,689	2,412	43%	7,495	9,041	21%	Growth in income is mainly driven by increase in selling price
SCPC	468	115	-75%	1,418	2,331	64%	Although there are more plant downtime, plants are running at higher capacity; prices are also higher. These translated to higher revenues and profitability
SLPGC	422	582	38%	3,218	3,098	-4%	Higher revenue and volume sold is slightly offset by higher Real Property tax, Interest and Depreciation fully chargeable to OPEX.
Others	(4)	(178)	4358%	(4)	(178)	4358%	Mainly due to derecognition of development costs of Semirara Claystone, Inc.

After Eliminations (Consolidated)

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	1,544	728	-53%	5,420	6,092	12%	Growth in income is mainly driven by increase in selling price.
SCPC	399	1,227	208%	2,896	4,554	57%	Although there are more plant downtimes, plants are running at higher capacity, prices are higher. These translated to higher revenues and profitability
SLPGC	552	1,071	94%	3,724	3,742	0%	Higher energy sales, further augmented by 46% better average price/KWh of power sold boosted profitability. SLPGC also enjoys ITH
Others	(4)	(178)	4358%	(1)	(179)	35660%	Mainly due to derecognition of development costs of Semirara Claystone, Inc.
Total	**2,491**	**2,848**	**14%**	**12,040**	**14,209**	**18%**	

B. Solvency and Liquidity

Internal cash generation in 2017 amounted to PHP18.20 billion. Consolidated loan availments amounted to PHP6.54 billion, representing coal's medium-term loan to fund maintenance and additional CAPEX for the increase in capacity. Additional cash of PhP126.23 million was generated from sale of coal segment fully depreciated assets and from withdrawal of the remaining PhP68.72 million sinking fund upon full payment of SCPC's loan term debt. Combined with beginning Cash of PHP7 billion, total consolidated Cash available during the period stood at PHP31.92 billion.

Of the available cash, PHP6.32 billion was used to fund major CAPEX. The Company also paid debts amounting to PHP5.22 billion and other investing and released the retention amounting to PhP1.15 billion after final turn-over of its power plant in July 2017. On the Company's buyback program, it reacquired 2.7 million shares amounting to PhP100.37 million. The Company declared and paid cash dividends of PHP10.65 billion during the period. Ending cash closed at PHP8.47 billion, a 21% increase from the beginning cash.

Coal, SCPC, and SLPGC recorded ending cash of PHP5.80 billion, PHP584.41 million, and PHP2.03 billion, respectively. Other pre-operating business closed with a total cash balance of PHP58 million.

Consolidated Current ratio improved to 1.69x from 1.35x at the start of the year.

C. Financial Condition

ASSETS

Cash

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	4,298	5,796	35%	Stronger sales volume, boosted by higher ASP resulted to higher cash generation but used up to pay cash dividend and CAPEX hence the decrease
SCPC	659	584	-11%	Strong cash generation and payments of suppliers
SLPGC	2,010	2,032	1%	Settlement for the partial remaining payable of the 2x150MW project and additional CAPEX for the 2x23MW Gas turbine
Others	26	59	125%	Additional capital infusion to the pre-operating subsidiary
Total	**6,993**	**8,471**	**21%**	

Consolidated Receivables

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	2,451	2,204	-10%	Mainly trade-related; improvement in collection of coal exports. 95% of invoice amount collected upon presentation of invoice and shipping documents with correspondent bank
SCPC	2,106	3,164	50%	Collection of November 2017 power bills fell on a holiday and collected in 2018
SLPGC	1,128	1,106	-2%	Mainly trade-related receivables
Total	**5,685**	**6,475**	**14%**	

Consolidated Inventories

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	2,960	3,148	6%	Inventory is comprised of cost of ending coal inventory of Php970 million and materials spare parts, fuel, and supplies amounting to Php2.2 billion
SCPC	1,930	1,957	1%	Comprised of coal inventory of Php184M and spare parts inventory for corrective, preventive and predictive maintenance program
SLPGC	497	809	63%	Comprised of Spare parts inventory for corrective, preventive and predictive maintenance program (PhP 513 million), Coal (PhP 170 million) and diesel,chemicals and others (PhP 126 million)
Others				Cash balances of pre-operating subsidiary
Total	**5,386**	**5,914**	**10%**	Coal increased production, correspondingly increasing material & parts required inventory; SCPC preparing for life extension; SLPGC already on commercial operations and plants are performing at higher capacity, thus requiring corresponding increase in inventory of parts

Investment in JV

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	52	51	-3%	
Total	**52**	**51**	**-3%**	

Investment in Sinking Fund

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
SCPC	69	-	-100%	withdrawal of sinking fund following the full payment of LTD
Total	**69**	**-**	**-100%**	

Consolidated Other Current Assets

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	625	1,264	102%	Mainly comprised of prepaid income taxes and advances to contractors and suppliers of spare parts and equipment amounting to Php454.34 million and Php804.64 billion, respectively.
SCPC	369	750	103%	Mainly accounted for advances to suppliers, rentals, insurance and other expense (Php649 million).
SLPGC	1,974	1,410	-29%	Mainly comprised of input VAT amounting to PhP 1.1 billion and PhP 277 million advances/prepayments to suppliers
Total	**2,968**	**3,423**	**15%**	

Consolidated Total Current Assets

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	10,387	12,462	20%	Please refer above
SCPC	5,132	6,456	26%	
SLPGC	5,609	5,357	-4%	
Others	26	59	125%	
Total	**21,154**	**24,334**	**15%**	

Consolidated PPE

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	10,221	10,888	7%	Additional Capex for capacity expansion and maintenance capex of PhP4.3 billion off-set by depreciation
SCPC	14,925	14,656	-2%	Capex of PhP1.63 billion offset by depreciation
SLPGC	18,206	17,470	-4%	Capex of PhP796 million off-set by negative variation of PhP388 million and depreciation
Total	**43,352**	**43,014**	**-1%**	

Consolidated Other Non-Current Assets

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	195	204	5%	Additional software cost
SCPC	249	278	11%	Mainly consists of prepaid leases and unrealized input tax
SLPGC	135	317	135%	Mainly consists of prepaid leases and unrealized input tax
Others	156	-	-100%	Derecognition of capitalized development costs of Semirara Claystone
Total	**735**	**798**	**9%**	

Consolidated Deferred Tax Assets

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	54	85	58%	Mainly related to remeasurement losses on Pension Plan
SCPC	465	365	-22%	Mainly related to provision for doubtful account and deferred revenue
Total	**520**	**450**	**-13%**	

Consolidated Total Assets

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	20,857	23,639	13%	
SCPC	20,773	21,755	5%	
SLPGC	23,950	23,144	-3%	Refer to above explanation
Others	183	59	-68%	
Total	**65,762**	**68,596**	**4%**	

LIABILITIES

Accounts and Other Payables

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	7,058	8,014	14%	Primarily due to the increased requirements related of the capacity expansion
SCPC	2,380	1,793	-25%	The decrease merely pertains to timing of payment of trade suppliers and contractors
SLPGC	2,784	1,044	-62%	Pertains to release of retention payable for the 2x150MW Project upon final turn-over last July 2017. Remaining balance pertains to Payables to Trade and Affiliates
Total	**12,221**	**10,851**	**-11%**	

Short-term Loans

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
SCPC	1,600	-		Full settlement of the short-term loan
Total	**1,600**	**-**	**-100%**	

Current Portion of Long-term Debt

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	-	1,852	100%	Maturing LTD within a year
SCPC	128	-	-100%	Fully paid LTD
SLPGC	1,704	1,704	0%	
Total	**1,832**	**3,556**	**94%**	

Total Current Liabilities

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	7,058	9,866	40%	Please refer to above
SCPC	4,108	1,793	-56%	
SLPGC	4,487	2,748	-39%	
Total	**15,653**	**14,407**	**-8%**	

Long-Term Debt - Net of Current Portion

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	5,618	5,539	-1%	
SCPC	-	2,985	100%	Availed of LTD in Q4 2017
SLPGC	7,640	5,944	-22%	Decrease is due to amortization for the year
Total	**13,258**	**14,468**	**9%**	Increase is due to increase in coal long-term debt availment

Pension Liability

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	68	174	158%	Additional provision for pension liabilities due to salary adjustments and transferred employees from affiliates
SCPC	27	25	-9%	Retirement of employees in 2017
SLPGC	19	35	80%	increase in provision for pension obligation
Total	**114**	**234**	**105%**	

Provision for Site Rehabilitation

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	1,593	1,687	6%	Additional provision based on revised plan
SCPC	14	15	9%	Additional provision for plant decommissioning
SLPGC		4	100%	Provision for plant decommissioning
Total	**1,606**	**1,706**	**6%**	

Other Long-Term Liabilities

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
SLPGC	843	46	-95%	Settlement of retention payable
Total	**843**	**46**	**-95%**	

Deferred Tax Liabilities

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
SLPGC	1	55	4371%	Deferred Tax Liabilities arising from unrealized income from financial contract
Total	**1**	**55**	**4371%**	

Total Non-Current Liabilities

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	7,278	7,400	2%	Please refer above
SCPC	41	3,025	7312%	
SLPGC	8,504	6,085	-28%	
Total	**15,823**	**16,509**	**4%**	

Total Liabilities

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	14,336	17,266	20%	Please refer above
SCPC	4,149	4,818	16%	
SLPGC	12,991	8,833	-32%	
Others			#DIV/0!	
Total	**31,475**	**30,917**	**-2%**	

EQUITY

Capital Stock

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal (Parent)	1,069	4,265	299%	Increase due to stock dividend of 3 shares for every 1 share held. Par value at Php1 / share

Additional Paid-in Capital

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal (Parent)	6,676	6,676	0%	No changes.

Treasury Shares

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal (Parent)	388	488	26%	Purchase of 3.46 million SCC shares in 2016 and 2.7 million shares in 2017

Remeasurement Gain / (Losses) on Pension Plan

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	(24)	(81)	236%	Actuarial valuation loss in pension plan due to increase in number of employees
SCPC	(2)	(1)	-53%	Some employees retired during the year
SLPGC	3	(4)	-239%	Due to increase in number of employees
Others			#DIV/0!	
Total	**(23)**	**(86)**	**268%**	

Retained Earnings / (Losses)

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	16,540	12,756	-23%	Decrease in retained earnings due to the payment of special cash dividends amounting to Php5.3 B. on top of the regular dividend
SCPC	6,730	8,806	31%	Strong profitability slightly offset by payment of cash dividend
SLPGC	3,689	5,930	61%	Cash dividend of PhP 1 Billion in Q3 2017 still manage to increase because of good performance
Others	(6)	(179)	2948%	Mainly related to the write-off of research and development costs of pre-operating subsidiary
Total	**26,953**	**27,313**	**1%**	

IV. PERFORMANCE INDICATORS:

1. **Net Income After Tax** – The Company continues to show remarkable operating and financial performance. Net income grew by 18% YoY.

2. **Dividend Payout** – Strong profitability and high liquidity enables the Company to continue paying generous dividends. The board of directors declared PhP5 dividend per share (PhP1.25 per share post 300% stock dividend) which was paid last 25 April 2017, increasing by 25% from 2016's PhP 4 per share (PhP1.00 per share post 300% stock dividend). Moreover, another PhP5 dividend per share (PhP1.25 per share post 300% stock dividend) was declared by the board of Directors and was paid 8 September 2017. Payout ratio of 106% is way above the Company's policy of at least 20%.
3. **Debt-to-Equity Ratio** – The increase in total debts was sufficiently matched by robust earnings during the period which effectively augmented Equity. As a result, DE improved to 0.82x from 0.92x as at the start of the year.
4. **Net Profit Margin** – Net profit margin remains strong at 32% with strong revenues from the coal and power businesses.
5. **Current Ratio** – Healthy cash position and drop in Accounts Payable improved Current Ratio to 1.69 at the end of the period from 1.35 at the start of the year. The Company set an internal current ratio threshold of at least 1.00.

V. OTHER INFORMATION:

1. There were no known trends, events or uncertainties that have material impact on liquidity.
2. SMPC provides interim corporate suretyship in favor of the lenders of SLPGC for the project debt facility amounting to Php11.5 billion that financed the 2x150MW power plant expansion at Calaca, Batangas. It started amortizing the loan in 2015; as at end of this year outstanding balance decreased to Php7.67 billion.
3. There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of SMPC with unconsolidated entities or other persons created during the reporting period;
4. SCPC started its life extension program with an estimated total project cost of USD217 million. This is a 3-year program that aims to increase the economic life of Units 1 &2 for another 20 to 25 years. Revised target completion is 2020;
5. SMPC is still waiting for ERC approval of the 400MW Power Supply Agreement (PSA) entered into by St. Raphael Power Generation Corporation (SRPGC) and Manila Electric Company (Meralco) at December 31, 2017. As at December 31, 2017, SRPGC is equally owned by SMPC and MGen;
6. There are no significant elements of income of loss from continuing operations;
7. On March 1, 2018 the Energy Regulatory Commission issued Certificate of Compliance (COC) (COC No. 18-03-M-00148L and COC No. 18-03-M-00149L) for Units 3 and 4 Modular Gas Turbine Power Plant of SLPGC, respectively, located in Brgy. San Rafael, Calaca, Batangas. Each unit has a 25MW capacity and the said COC shall be both valid for five (5) years;
8. SMPC shall accelerate the rehabilitation of South Panian in 2-year time with an estimated cost of Php2.3 billion;
9. There were no subsequent events that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements;
10. The Group's operation is not cyclical or seasonal in nature. Mining activities is continuous throughout the year as coal production output from period to period can be adjusted through efficient mine planning on both short-term and long-term, mitigating negative impact of the rainy season to mine operations. The power generation business is also operational throughout the year as maintenance shutdown is just part of normal operation of the plant and programmed ahead of time.

Full Years 2015-2016

PRODUCTION – COMPARATIVE REPORT 2015 vs 2016

Coal

On 12 February 2016, the Department of Environment and Natural Resource (DENR) approved the Company's request to amend our Environmental Clearance Certificate (ECC) allowing us to increase our mining capacity from 8 million tons to 12 million tons. Two months after, on 29 April 2016, DENR issued another amendment further increasing maximum capacity to 16 million tons per annum.

With the amendment of the ECC, the Company embarked on a capacity expansion program by investment in additional CAPEX. Weather conditions were also favorable throughout the year. As a result, total materials moved increased by 42% YoY to 125.43 million bank cubic meters (bcm), inclusive of the 46.97 million bcm pre-stripping at Molave mine from 22 million last year.

Clean coal production consequently increased by 33% YoY to 11.91 million metric tons (tons) from 7.98 million tons in 2015. In addition 1.15 million tons of low-grade coal were produced in 2015 and 900 thousand tons in 2016.

The aggregate strip ratio slightly increased to 9.08 compared to 9.02:1 last year. However, the strip ratio in Panian significantly dropped to 3.94:1 as it was already closed in September.

To prepare for anticipated increase in coal production, the Company is constructing an additional transfer line and shiploading system.

Meanwhile, the Board of Investments (BOI) approved the registration of a new mine, Molave mine on 24 February 2016. Like the Narra Mine, as a BOI-registered project, revenues from Molave mine production will be entitled to full or 100% income tax holiday (ITH). Molave contains higher quality coal which can be sold to local plants that are designed to use coal fuel higher than our average 5,300 kcal coal.

In 2016, improvement of shipyard facilities were completed, such that there are already three shiploaders that can simultaneously operate. One of these shiploaders can accommodate 70,000 ton Panamax vessels used in our export sales. Apart from improving loading efficiency, we are able to save around $2 barging cost of mid-stream loading in order to load up a Panamax vessel.

Coal sales volume registered a new record high this year, increasing by 52% YoY to 12.8 million tons from 8.4 million tons last year. Clean coal ending inventory closed at 893 thousand tons, 7% higher than same period last year's ending inventory of 829 thousand tons.

The table below shows the comparative production data for 2015 and 2016.

(in millions except strip ratio)	ACTUAL					ACTUAL					VARIANCE	
	Q1	Q2	Q3	Q4	2016	Q1	Q2	Q3	Q4	2015	vs 2015	
PRODUCTION												
Total Materials (BCM)	30.8	36.5	23.8	34.3	**125.4**	26.3	27.8	9.5	25.0	**88.6**	36.8	*42%*
Pre-Stripping (BCM)	-	28.1	18.9		**47.0**				22.0	**22.0**	25.0	*0%*
Prod'n Stripping (BCM)	30.8	8.5	4.9	34.3	**78.5**	26.3	27.8	9.5	3.0	**66.6**	11.8	*18%*
Clean Coal (MT)	3.4	2.0	2.8	3.6	**11.9**	2.3	2.2	1.1	2.4	**8.0**	3.9	*49%*
Strip Ratio (W:C)	8.3	3.5	1.0	8.7	**5.9**	10.6	12.0	8.3	0.5	**7.6**	(1.8)	*-23%*
Saleable Coal (MT)	3.4	2.0	2.8	3.6	**11.9**	2.3	2.1	1.0	2.6	**8.0**	3.9	*49%*
Unwashed Coal (MT)	0.3	0.2	0.1	0.3	**0.9**	0.4	0.3	0.2	0.3	**1.1**	(0.2)	*-22%*
Beg. Inventory (MT)	0.8	1.8	0.4	0.8	**0.8**	0.4	0.3	0.6	0.3	**0.4**	0.4	*115%*
End Inventory (MT)	1.8	0.4	0.4	0.9	**0.9**	0.3	0.6	0.3	0.8	**0.8**	0.1	*8%*

SCPC

The originally scheduled 31-day maintenance shutdown for Unit 2 from November 20, 2015 to Dec 20, 2016 has extended until mid-April 2016. As a result, total gross generation is down by 27% YoY to 2,909 GWhr from 3,959 GWhr last year. Consequently, capacity factor also dropped by 27%.

Total plants' availability fell by 15% YoY to 13,047 hours from 15,314 hours.

Unit One

Unit 1 generated 1,339 GWh as of Q4 this year, 26% lower than last year's generation of 1,819 GWh. Average capacity dropped by 23% to 176 MW from 228 MW last year. Last year's capacity was higher due to the high grade coal production in Panian last year. Capacity factor dropped YoY to 51% from Q4 2015's 69%.

The Unit's operating hours decreased insignificantly this year to 7,616 hours compared to last year's 7,971 hours.

Unit Two

Gross generation of Unit 2 dropped by 27% YoY to 1,570 GWh from 2,140 GWh last year.
The unit did not generate any power in Q1 2016 while on maintenance shutdown. The maintenance shutdown which started on 20 November 2015 was originally scheduled for one month. However, it lasted until 13 April 2016.

Average Capacity dropped by 1% YoY to 289MW from 291 MW last year. Notably however, capacity stabilized to 300MW after the shutdown. Capacity factor also dropped to 60% from 81% last year.

Unit 2's availability likewise dropped to 62% YoY in the current period from 84% last year. Unplanned outages this year registered at 3,353 hours, 398% more than last year's 673 hours.

The table below shows the comparative production data for 2015 and 2016.

COMPARATIVE PLANT PERFORMANCE DATA *AO Q4'15 VS AO Q4'16*	Q1 '15	Q2 '15	Q3 '15	Q4 '15	AO Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	AO Q4 '16	Q1 '15
Gross Generation, *Gwh*											
Unit 1	456	495	450	419	1,819	344	359	303	334	1,339	*-26%*
Unit 2	558	656	549	376	2,140	-	535	470	565	1,570	*-27%*
Total Plant	**1,014**	**1,151**	**998**	**795**	**3,959**	**344**	**894**	**773**	**899**	**2,909**	***-27%***
% Availability											
Unit 1	77%	91%	96%	100%	91%	84%	92%	84%	87%	87%	*-5%*
Unit 2	91%	100%	85%	60%	84%	0%	82%	76%	89%	62%	*-26%*
Total Plant	**84%**	**96%**	**90%**	**80%**	**87%**	**42%**	**87%**	**80%**	**88%**	**74%**	***-15%***
Capacity Factor											
Unit 1	70%	75%	68%	64%	69%	53%	54%	46%	51%	51%	*-27%*
Unit 2	86%	99%	83%	57%	81%	0%	81%	71%	86%	60%	*-27%*
Total Plant	**78%**	**87%**	**75%**	**61%**	**75%**	**26%**	**67%**	**58%**	**69%**	**55%**	***-27%***

SOUTHWEST LUZON POWER GENERATION CORPORATION (SLPGC)

Unlike last year when the 2 x 150 MW plants only started generating in Q3, both power units were generating energy more reliably starting February 2016. Official declaration of commercial operations was on 26 August 2016 for both units, with a Provisional Authority to operate at 140 MW per plant.

Unit Three

Unit 3 generated 711 GWh as of Q4 this year. Average capacity is 119 MW, with a capacity factor of 54%. The unit operated for 5,974 hours this year.

Unit Four

Gross generation of Unit 4 is 672 GWh. Average Capacity is 117 MW, while capacity factor is at 51%

Unit's operating hours this year is 5,723 hours.

The table below shows the comparative production data for 2015 and 2016.

COMPARATIVE PLANT PERFORMANCE DATA *Q4 '15 vs Q4 '16*	Q1 '15	Q2 '15	Q3 '15	Q4 '15	Tot Yr '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Tot Yr '16	% Inc (Dec)
Gross Generation, GWh											
Unit 3	-	-	107	52	160	65	250	255	141	711	345%
Unit 4	-	-	8	43	51	152	287	111	122	672	1207%
Total Plant	**-**	**-**	**115**	**96**	**211**	**217**	**537**	**366**	**263**	**1,383**	**555%**
% Availability											
Unit 3	0%	0%	46%	21%	15%	34%	88%	90%	61%	70%	360%
Unit 4	0%	0%	7%	19%	2%	55%	97%	49%	59%	67%	2903%
Total Plant	**0%**	**0%**	**26%**	**20%**	**9%**	**45%**	**93%**	**69%**	**60%**	**69%**	**686%**
Capacity Factor											
Unit 3	0%	0%	32%	16%	11%	20%	76%	77%	43%	58%	429%
Unit 4	0%	0%	2%	13%	1%	46%	87%	34%	37%	56%	6641%
Total Plant	**0%**	**0%**	**17%**	**15%**	**6%**	**33%**	**81%**	**55%**	**40%**	**57%**	**870%**

MARKETING – COMPARATIVE REPORT 2015 vs. 2016

Coal

Coal sales volume breached the record this year, increasing by 52% YoY at 12.82 million tons from 8.43 million tons last year.

Export sales accounted for 59% of total coal sales volume this year at 7.55 million tons, increasing by 143% from last year's 3.11 million tons. Increase in coal production allowed the Company to service more demand from export markets.

Meanwhile, local sales slightly dropped by 1% YoY to 5.27 million tons from 5.32 million tons last year. This figure is inclusive of low-grade coal of 955 thousand tons and 1.95 million tons in 2015 and 2016, respectively. Deliveries to power customers increased by 8% with increased orders from other plants not owned by the Company.

On the other hand, sales to cement plants dropped by 31% YoY to 710 thousand tons from 1.03 million tons last year because some plants opted to buy lower-priced imported coal, especially in the first three quarters of the current year.

Sales to other industrial plants also decreased by 18% YoY to 298 thousand tons from 362 thousand tons last year.

Some cement plants and customers with small boilers are now using alternative fuel, thus explaining the drop in off-take of cement and other industrial plants.

Composite average FOB price per ton dropped by 3% YoY to PHP1,885 from PHP1,943 in 2015. Although global coal prices moved up starting September, prior to that, prices were depressed. In addition, deliveries of lower price low-grade coal to own power units this year, more than doubled. Average price of low-grade coal is PHP867/ton vs regular coal's average price of PHP1,974/ton.

The table below shows the comparative sales volume data for 2015 and 2016.

Customer	Q1	Q2	Q3	Q4	2016	%	Q1	Q2	Q3	Q4	2015	%	% change
Calaca	705	767	617	474	2,563	20%	666	626	661	743	2,696	32%	-5%
GBPs	122	278	168	393	960	7%	202	208	166	200	775	9%	24%
Others PPs	186	147	182	218	733	6%	111	99	139	112	462	5%	59%
Power Plants	**1,012**	**1,192**	**967**	**1,085**	**4,256**	**33%**	**980**	**932**	**966**	**1,055**	**3,933**	**47%**	**8%**
Cement	**147**	**161**	**174**	**228**	**710**	**6%**	**278**	**246**	**278**	**224**	**1,027**	**12%**	**-31%**
Others Plants	**69**	**76**	**63**	**90**	**298**	**2%**	**93**	**114**	**91**	**65**	**362**	**4%**	**-18%**
Local	1,228	1,428	1,204	1,404	5,264	41%	1,351	1,292	1,336	1,344	5,323	63%	-1%
Export	1,674	2,246	1,818	1,813	7,550	59%	1,054	534	562	956	3,105	37%	143%
Total	2,902	3,674	3,022	3,217	12,814	100%	2,404	4,230	1,898	2,300	8,428	100%	52%

POWER

SCPC

SCPC's Energy sales dropped by 12% YoY to 3,322 GWh from 3,754 GWh last year. Composite average price per Kwh also decreased by 3% YoY at PHP3.31 from PHP3.41 last year due to lower spot sales during the year. Moreover, Newcastle index, which is the benchmark for fuel pass-though, was down in the first half of the year. Last year, higher composite average price was driven by high volume of spot sales with higher price than bilateral contracts.

Average price for bilateral contracts dropped by 1% YoY to PHP3.29/KWh from PHP3.33/KWh last year due to lower Newcastle prices which are the contracts' index.

On the other hand, spot sales' average price is 11% lower YoY at PHP4.48/KWh from PHP5.05/KWh.

Of the total energy sold, 99% or 3,276 GWh were sold to bilateral contracts, while the remaining 1% were sold to the spot market.

MERALCO remained to be the single biggest customer, accounting for 92% of the total energy sales of the bilateral contracts; BATELEC I and Trans-Asia comprised 5% and 1% of total sales, respectively. Trans-Asia bilateral contracting 45MW has ended March 25, 2016

Spot Market Sales dropped by 73% YoY to 46 GWh, as against 173 GWh last year.

Of the total energy sold, 82% was sourced from own generation, while 18% was purchased from the spot market. SCPC procured power from the spot market during hour intervals where power units were down, or when the plants were running at a de-rated capacity, in order to be able to supply committed capacity to some of its customers.

The table below shows the comparative marketing data for 2016 and 2015.

COMPARATIVE SALES VOLUME DATA
(in GWh)

CUSTOMER	Q1 '15	Q2 '15	Q3 '15	Q4 '15	AO Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	AO Q4 '16	% Inc (Dec)
Bilateral Contracts	902	1,031	937	710	3,581	422	954	978	922	3,276	-9%
Spot Sales	80	65	20	8	173	2	12	4	29	46	-73%
GRAND TOTAL	**982**	**1,096**	**957**	**719**	**3,754**	**424**	**966**	**982**	**950**	**3,322**	**-12%**
Composite Ave Price	**3.56**	**3.37**	**3.30**	**3.40**	**3.41**	**3.90**	**2.97**	**3.16**	**3.53**	**3.31**	**-3%**

SLPGC

SLPGC has a total contracted capacity of 202 MW. In Q1, two contracts totaling to 102 MW are already effective, while the remaining 100MW became effective in Q2. Most of the plants' generated energy or 1,281 GWh served SLPGC's contracts, while 197 GWh were sold to spot. Composite average price for the period is PHP4.42/KWh.

Bilateral contracts account for 81% or 1,186GWHr of energy sold, while 6% or 95GWHr is sold to SCPC as replacement power, while spot market took up 13% or 197GWHr.

MPower accounts for 34% of the total energy sales of the bilateral contracts; VECO and GN Power comprised 24% and 23% of total sales, respectively.

Of the total energy sold, 79% was sourced from own generation, while 21% was purchased from the spot market. SLPGC procured power from the spot market during hour intervals where power units were down, or when the plants were running at a de-rated capacity, in order to be able to supply committed capacity to some of its customers.

The table below shows the comparative marketing data for 2015 and 2016.

COMPARATIVE SALES VOLUME DATA
(in GWh)

CUSTOMER	Q1 '15	Q2 '15	Q3 '15	Q4 '15	Tot Yr '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Tot Yr '16	% Inc (Dec)
Bilateral Contracts	-	-	23	92	115	208	413	346	313	1,281	1011%
Spot Sales	-	-	83	10	94	41	94	31	31	197	111%
GRAND TOTAL	-	-	107	102	209	250	507	377	344	1,478	608%
Composite Ave Price			**2.56**	**4.51**	**3.51**	**4.22**	**4.13**	**4.45**	**4.97**	**4.42**	**26%**

III. FINANCE

A. Sales and Profitability

Revenues

Before Eliminations

	2015	2016	Variance	Remarks
Coal	16,373	24,157	48%	Increased sales volume by 52%
SCPC	12,797	10,984	-14%	14% decrease in energy sales; 3% decrease in price/KWh
SLPGC	101	5,747	5564%	510% increase in energy sales; 46% increase in price/KWh

After Eliminations (Consolidated)

	2015	2016	Variance	Remarks
Coal	11,782	20,079	70%	Increase in sales volume sold to external customer by 79%
SCPC	12,797	10,758	-16%	12% decrease in energy sales; 3% decrease in price/KWh
SLPGC	101	5,747	5564%	510% increase in energy sales; 46% increase in price/KWh
Total	**24,680**	**36,584**	**48%**	increased coal & SLPGC revenues offset drop in SCPC revenues

Before Eliminations

	2015	2016	Variance	Remarks
Coal	8,633	13,018	51%	Higher volume sold; Despite the the recognition of one time provision for Panian mine rehabilition; higher strip ratio of the new mines in Q4; mine development costs and slope stability costs are no longer capitalized after commercial operations of Narra and Molave the cost per MT still improve by 4%
SCPC	6,347	7,437	17%	PHP3.38/kwh after the plants consumed allowable downtime.
SLPGC	67	2,462	3568%	Already in commercial operations, hence cost is already under cost of sales

After Eliminations (Consolidated)

	2015	2016	Variance	Remarks
Coal	6,388	11,013	72%	Higher volume sold; booking of additional expense for mine development; higher strip ration of the new mines in Q4. Additional provision for Panian mine final rehab and slope stability costs are no longer capitalized after commercial operations of Narra and Molave.
SCPC	4,133	5,508	33%	Inclusive of replacement power of PHP3.38/kwh after the plants consumed allowable downtime.
SLPGC	21	2,179	10335%	Already in commercial operations, hence cost is already under cost of sales
Total	**10,542**	**18,701**	**77%**	Depreciation dropped 12% YoY to PHP1.74 billion from PHP1.98 billion last year

Consolidated Gross Profit

	2015	2016	Variance	Remarks
Coal	5,394	9,066	68%	Increase due to higher volume sold despite lower coal profitability due lower average selling price
SCPC	8,664	5,475	-37%	SCPC and SLPGC contributed PHP8.66 billion and PHP108.96 million, respectively,this year.
SLPGC	81	3,342	4048%	
Total	**14,138**	**17,883**	**26%**	Lower cost offset decrease in revenues
Gross Profit Margin	*57%*	*49%*	*-15%*	

Consolidated OPEX

	2015	2016	Variance	Remarks
Coal	2,336	3,225	38%	Higher revenue generation translated to higher government royalties from Php1.8 B in 2015 to Php2.7 B in 2016
SCPC	1,975	1,480	-25%	Mainly comprised of management fees and taxes and licenses; increase due to full provision for allowance for the questioned PEMC receivables on electricity sold on spot last November and December 2013 amounting to P896.14 million
SLPGC	72	294	306%	Non-capitalizable expenses
Others	5	1	-90%	OPEX of pre-operating subsidiaries
Total	**4,389**	**4,999**	**14%**	Increase is mainly driven by coal business' growth in OPEX

Consolidated Finance Income

	2015	2016	Variance	Remarks
Coal	23	41	82%	Higher cash levels in 2016
SCPC	17	11	-31%	Less placements, lower rates
SLPGC	18	31	69%	Interest for undisbursed loan proceeds
Others	0	0	-4%	Interest of placed cash of pre-operating subsidiaries
Total	**58**	**83**	**45%**	Higher cash levels offset lower placement interest rates

Consolidated Finance Costs

	2015	2016	Variance	Remarks
Coal	130	228	76%	Interest rates are higher in 2016 vs 2015
SCPC	147	90	-39%	PHP1.73 billion from PHP2.30 billion in 2015. Also, a portion of its higher priced long-term loan was converted to cheaper short-term loan.
SLPGC	1	280	21331%	Since SLPGC is already on commercial operations in 2016, interest expense is no longer capitalized, unlike in 2015.
Total	**278**	**599**	**115%**	Higher interest expese of coal and recognition of interest expense of SLPGC offset drop in finance cost of SCPC

Consolidated FOREX Gains / (Losses)

	2015	2016	Variance	Remarks
Coal	(328)	(347)	6%	Result of the valuation of USD denominated loans and foreign currency denominated transactions.
SCPC	30	(52)	-272%	Loss on foreign currency denominated transactions.
SLPGC	(3)	(4)	48%	Loss on foreign currency denominated transactions.
Total	**(300)**	**(403)**	**34%**	Weaker PHP vs USD in 2016

Consolidated Other Income

	2015	2016	Variance	Remarks
Coal	248	169	-32%	of one-time insurance recoveries and gain from asset disposal totaling PHP136.55million.
SCPC	125	123	-2%	Unit 2 was down in Q1 2016, hence less fly ash is sold as cement additive.
SLPGC	67	645	861%	Power sold during plant commissioning.
Others		2		Other income of pre-operating subsidiary
Total	**441**	**938**	**113%**	Higher SLPGC other income due to better performance of plants while on commissioning in 2016 vs 2015

Consolidated NIBT

	2015	2016	Variance	Remarks
Coal	2,871	5,476	91%	Higher coal sales pushed profitability up in
SCPC	6,713	3,537	-47%	More downtimes resulted to less energy generation, thus decreased profitability in
SLPGC	90	3,890	4245%	Better plant performance in 2016 translated to improved profits during the year.
Others	(5)	2	-135%	Net expenses of pre-operating subsidiaries
Total	**9,669**	**12,904**	**33%**	Higher coal and SLPGS profitability offset drop in SCPC earnings

Consolidated Income Tax Provision

	2015	2016	Variance	Remarks
Coal	(38)	58	-254%	Minimal coal tax provision is due to the Income tax holiday it enjoys as a BOI-registered company. The increase over last year is due to recognition of deferred tax liabilites
SCPC	1,217	640	-47%	Drop in SCPC's tax provision is a result of drop in profitability in 2016.
SLPGC	4	165	4424%	Minimal SLPGC tax provision is due to the Income tax holiday it enjoys as a BOI-registered company. The increase over last year is due to income taxes paid on BCQ sales from Spot Purchases
Total	**1,182**	**863**	**-27%**	Coal and SLPGC still has ITH, while only SCPC is in tax position. The decline is due to SCPC's lower provisioning in 2016.

NIAT

Before Eliminations (Core Income)

	2015	2016	Variance	Remarks
Coal	5,255	7,495	43%	Growth in income is due to higher coal sales volume.
SCPC	3,282	1,418	-57%	More plant downtimes translated to lower revenues and lower profitability in 2016. Average price/KWh is also slightly lower, while cost of sales/KWh is 32% higher.
SLPGC	40	3,218	7871%	Higher energy sales, further augmented by 46% better average price/KWh of power sold boosted profitability. SLPGC also enjoys ITH

After Eliminations (Consolidated)

	2015	2016	Variance	Remarks
Coal	2,909	5,417	86%	Growth in income is due to higher coal sales volume. Revenues from coal sold to own power units is eliminated.
SCPC	5,497	3,347	-39%	More plant downtimes translated to lower revenues and lower profitability in 2016.
SLPGC	86	3,275	3713%	Higher energy sales, further augmented by 46% better average price/KWh of power sold boosted profitability. SLPGC also enjoys ITH
Others	(5)	2	-142%	Net expenses of pre-operating subsidiaries
Total	8,487	12,041	42%	Higher coal and SLPGC profitability offsets drop in SCPC earnings
EPS	**7.94**	**11.28**	42%	2016 outstanding shares is net of 3.46 million shares held in treasury.

Other Comprehensive Income/Loss is related to remeasurement gain/(losses) on pension plan, net of income tax effect in the amount of P7.11 million gain and P17.04 million loss in 2016 and 2015, respectively. Total Comprehensive Income resulted to P12.05 billion for 2016 from P8.69 billion in 2015.

B. <u>Solvency and Liquidity</u>

Internal cash generation for this year amounted to PHP16.42 billion. Consolidated loan availments amounted to PHP10.82 billion, broken down as follows: coal's medium-term loan fund maintenance CAPEX amounting to PHP4.62 billion, coal short-term working capital loans of PHP2.10 billion and SCPC's short-term loans (working capital and partial conversion of long-term to short-term loan) of PHP4.1 billion. SCPC recognise the release of the Sinking Fund of PHP0.4 billion due to the full payment of the OLSA. Combined with beginning Cash of PHP4.75 billion, total consolidated Cash available during the period stood at PHP32.00 billion.

Of the available cash, PHP6.69 billion was used in investing activities. These include major CAPEX of PHP5.30 billion, Exploration and Mine Development of PHP1.93 billion, Investment in Joint Venture of PHP52.38 million net of the proceed from release of the Sinking Fund amounting to PHP391.52 million. We paid debts amounting to PHP13.48 billion The Company also paid cash dividends amounting to PHP4.3 billion in Q2. After presented with a good investment opportunity when SCC stock prices fell in Q3, the board was prompted to approve a shares buyback program; 3.46 million shares worth PHP387.55 million are currently held in treasury, with an average price of PHP111.60/share. Ending cash closed at PHP7.0 billion, 47% higher than beginning balance.

Coal, SCPC, and SLPGC recorded ending cash of PHP4.30 billion, PHP659 million, and PHP2.01 billion, respectively. Other pre-operating business closed with a total cash balance of PHP26 million.

Strong operations allowed the Company to beef up cash despite spending for CAPEX that increased coal mining capacity from 8 to 12 million tons and providing proper maintenance to the power plants, as well as decreasing debt levels, while maintaining a strong dividend payout.

Consolidated Current ratio improved to 1.35x from 0.97 as at the start of the year.

C. Financial Condition

ASSETS

Cash

	2015	2016	Variance	Remarks
Coal	2,640	4,298	63%	Stronger sales resulted to higher cash generation
SCPC	881	659	-25%	Weaker profits redound to lower cash
SLPGC	1,202	2,010	67%	Power plants perform better in 2016, commercial operations declared on 26 August
Others	23	26	14%	Cash balances of pre-operating subsidiary
Total	**4,746**	**6,993**	**47%**	Good perfomance of coal and SLPGC boosted consolidated cash position in 2016

Consolidated Receivables

	2015	2016	Variance	Remarks
Coal	1,345	2,451	82%	Mainly trade-related; increase due to higher volume sold in 2016.
SCPC	1,190	1,984	67%	Higher energy sold during the month of December 2016 compared to same month in 2015, due only one plant was operational and the average load of the other is lower
SLPGC	246	1,251	409%	Mainly trade-related; increase due to higher sales in 2016.
Total	**2,781**	**5,686**	**104%**	receivables. Receivables is inclusive of due from related parties amounting to Php69 million in 2015 and Php389 million in 2016, representing shared charges, transfer of materials and services.

Consolidated Inventories

	2015	2016	Variance	Remarks
Coal	2,589	2,960	14%	2016 Inventory is comprised of cost of ending coal inventory of PHP1.57 billion and materials spare parts, fuel, and supplies amounting to PHP1.39 billion
SCPC	1,616	1,930	19%	Spare parts inventory for corrective, preventive and predictive maintenance program
SLPGC	178	497	179%	Spare parts inventory for corrective, preventive and predictive maintenance program (Php 284 million) and other chemicals (Php 10 million) and coal inventory on hand at cost
Total	**4,383**	**5,386**	**23%**	Coal increased production, correspondingly increasing material & parts required inventory; SCPC preparing for life extension; SLPGC already on commercial operations and plants are performing at higher capacity, thus requiring corresponding increase in inventory

Investment in JV

	2015	2016	Variance	Remarks
Coal	-	52	0%	The company entered in to a JV with Meralco PowerGen Corp. in 2015. SMPC loss control on May 2016

Investment in Sinking Fund

	2015	2016	Variance	Remarks
SCPC	460	69	-85%	The decrease is due to the release of the sinking fund

Consolidated Other Current Assets

	2015	2016	Variance	Remarks
Coal	759	625	-18%	2016 mainly comprised of prepaid income taxes and advances to contractors and suppliers of spare parts and equipment amounting to Php186.15 million and Php434.77 million, respectively.
SCPC	353	368	4%	2016 mainly accounted for advances to suppliers, rentals, insurance and other expenses
SLPGC	1,611	1,974	23%	Principally VAT input taxes currently recoverable amounting to Php 1,635 million and Advances and prepayment to suppliers amounting to Php339.16 million .
Total	**2,723**	**2,968**	**9%**	

Consolidated Total Current Assets

	2015	2016	Variance	Remarks
Coal	7,333	10,387	42%	please see explanation above
SCPC	4,501	5,009	11%	please see explanation above
SLPGC	3,236	5,732	77%	please see explanation above
Others	23	26	15%	please see explanation above
Total	**15,093**	**21,154**	**40%**	

Consolidated PPE

	2015	2016	Variance	Remarks
Coal	4,265	10,221	140%	Additional CAPEX purchased to support in mining capacity and the capitalization of the deferred mine pre-stripping costs
SCPC	14,860	14,925	0%	Capitalized repair of power net of depreciation
SLPGC	17,446	18,207	4%	Additional percent completion of 2x150MW and variation orders
Others	172		-100%	PPE of Joint Venture Company, Loss control on May 2016
Total	**36,743**	**43,352**	**18%**	Increase in PPE mainly caused by increased coal PPE

Consolidated Other Non-Current Assets

	2015	2016	Variance	Remarks
Coal	190	195	2%	Principally the VAT erroneously withheld by NPC
SCPC	214	249	16%	Unrealized input tax
SLPGC	1,217	136	-89%	Reclass of Unrealized input tax to current as it becomes realizable when the project achieved commercial operation in 2016
Others	149	156	5%	Claystone research and development costs
Total	**1,771**	**735**	**-58%**	

Exploration and Evaluation Asset

	2015	2016	Variance	Remarks
Coal	3,015	-	0%	Narra & Molave mines are already operational in 2016, hence exploration costs are already capitalized under PPE

Consolidated Deferred Tax Assets

	2015	2016	Variance	Remarks
Coal	110	54	-51%	Decrease mainly due to the recovery of uncollectible accounts and impairment losses
SCPC	423	465	10%	Represents full provisioning on spot sales in 2013 with issues on pricing
SLPGC	2	-	-100%	Utilized in Q1 tax payable
Others	0	1	2%	
Total	**536**	**519**	**-3%**	

Consolidated Total Non-Current Assets

	2015	2016	Variance	Remarks
Coal	7,581	10,469	38%	Increase in PPE and Exploration and Evaluation Asset
SCPC	15,958	15,639	-2%	
SLPGC	18,665	18,341	-2%	
Others	321	156	-51%	Non-current assets of pre-operating
Total	**42,525**	**44,606**	**5%**	

Consolidated Assets

	2015	2016	Variance	Remarks
Coal	14,913	20,862	40%	Robust sales increased cash and receivables; increased capacity increased inventory & PPE
SCPC	19,998	20,649	3%	
SLPGC	21,902	24,073	10%	Higher sales boosted cash and receivables, while inventory significantly increased due to additional coal and spare parts
Others	344	177	-49%	Non-current assets of pre-operating
Total	**57,157**	**65,760**	**15%**	Operating segments' asset base further strengthened in 2016

LIABILITIES

Accounts and Other Payables

	2015	2016	Variance	Remarks
Coal	4,464	7,859	76%	Increase in royalty by P650M; increase in expenditures due to the development and preparation of 2 new mines (Narra and Molave) which accelerated the expenses in H2 to meet commercial operation target by start of Q4; also working capital requirements increased due to higher capacity from 8M MT in 2015 to 12M MT in 2016
SCPC	1,709	2,365	38%	Due increase in materials and parts purchased for the Unit 1 planned outages
SLPGC	1,007	1,997	98%	procurement of additional materials and parts for redundancies outside the EPC contract
Others	192	0	-100%	Joint venture accounts payable; loss control on May 2016
Total	**7,372**	**12,221**	**66%**	Inclusive of due to affiliated companies which increased by 43% to Php2.98 billion from PHP2.08 billion in 2015. This accounted for supply of materials, services, construction and management contract with affiliated companies.

Short-term Loans

	2015	2016	Variance	Remarks
Coal	2,993		-100%	Converted to medium term loan (3 yrs)
SCPC		1,600	0%	Due to refinancing of LTD with short-term loans to save interest cost
Total	**2,993**	**1,600**	**-47%**	

Current Portion of Long-term Debt

	2015	2016	Variance	Remarks
Coal	1,967		-100%	No loan maturing in 12 months
SCPC	1,530	128	-92%	Debt servicing of project loan
SLPGC	1,694	1,704	1%	
Total	**5,191**	**1,832**	**-65%**	

Total Current Liabilities

	2015	2016	Variance	Remarks
Coal	9,424	7,859	-17%	Total Current Liabilities posted a decrease as the increase in A/P and Other Payables and conversion of short term loan to LTD and debt servicing of LTD maturities
SCPC	3,239	4,093	26%	Due to advance procurement of materials,parts for Unit 1 planned outage
SLPGC	2,700	3,700	37%	comprise mainly additional procurement of materials and parts for redundancies outside the EPC
Others	192	0	-100%	Joint venture accounts payable; loss control on May 2016
Total	**15,555**	**15,653**	**1%**	

Long-Term Debt - Net of Current Portion

	2015	2016	Variance	Remarks
Coal	1,249	5,618	350%	Increase due to financing of CAPEX to increase mining capacity
SCPC	767		-100%	Reclass to current portion of Long-term loan; maturity is in 2017
SLPGC	9,344	7,640	-18%	Continuous amortization of project finance loan brought down its balance
Total	**11,360**	**13,258**	**17%**	Increase in coal long-term debts is partly offset by drop in SCPC and SLPGC long-term debt balances

Pension Liability

	2015	2016	Variance	Remarks
Coal	72	68	-6%	Due to adjustment on remeasurement losses
SCPC	15	27	81%	Due to adjustment on remeasurement losses
SLPGC		19		First year of pension liability set-up
Total	**87**	**114**	**31%**	

Provision for Site Rehabilitation

	2015	2016	Variance	Remarks
Coal	501	1,593	218%	Increase due to change in mine rehabilitation plan relative to the 3 mine sites
SCPC	13	14	9%	
Total	**514**	**1,606**	**213%**	

Other Long-Term Liabilities

	2015	2016	Variance	Remarks
Coal	1,217		-100%	Long-term trade payables already settled during the year
SLPGC	1,522	843	-45%	Long-term retention payable related to the construction of the 2 X 150 MW power plant
Total	**2,740**	**843**	**-69%**	

Total Non-Current Liabilities

	2015	2016	Variance	Remarks
Coal	3,040	7,278	139%	Due to additional loan availment for the PPE
SCPC	795	41	-95%	Includes ARO and Pension Liability; 2015 higher due to balance of LTD
SLPGC	10,865	8,502	-22%	maturing and amortization of the long-term debt and long-term retention payables
Total	**14,700**	**15,822**	**8%**	

EQUITY

	2015	2016	Variance	Remarks
Capital Stock	1,069	1,069	0%	No changes. Par value at Php1 / share
Additional Paid-in Capital	6,676	6,676	0%	No changes.
Treasury Shares	-	388	0%	Purchase of 3.46 million SCC shares
Remeasurement gain/(losses) on pension plan	(31)	(23)	-23%	Accumulated gain/losses on pension fund net of tax effect
Retained Earnings	19,187	26,953	-	
- Appropriated	5,300	7,800	47%	Additional appropriation for power expansion and other investment
- Unappropriated	13,887	19,153		Growth fueled by robust coal and SLPGC earnings in 2016
Coal	5,337	8,739	64%	Strong 2016 profitability resulted to increase in retained earnings
SCPC	8,549	7,181	-16%	Weaker profits in 2016; retained earning dropped after declaration and payment of cash dividends
SLPGC	9	3,238	36547%	Power units already in commercial operations; strong 2016 earnings
Others	(8)	(6)	-23%	Losses of pre-operating subsidiaries
Total	**26,901**	**34,674**	**29%**	

IV. PERFORMANCE INDICATORS:

1. **Net Income After Tax** – 2016 results the strongest the Company has ever reported. Consolidated Net Income is record high at Php12.05 billion, up by 42% from last year's Php8.49 billion.
2. **Dividend Payout** – Strong profitability and high liquidity enables the Company to continue paying generous dividends. Payout ratio is 63%, vis-à-vis the Company's policy of at least 20%.
3. **Debt-to-Equity Ratio** – Leverage is further brought down by decreasing debt levels. Total interest-bearing loans dropped to PHP16.69 billion from beginning balance of PHP19.55 billion. DE improved to 0.91x from 1.12x as at the start of the year.
4. **Net Profit Margin** – Net profit margin remains strong at 33% with high earnings from the coal business and significant contribution by the new SLPGC 1x150MW plants.
5. **Current Ratio** – Short-term debts are managed amidst rising interest rates. Meanwhile, healthy cash levels boosted Current Assets. Current ratio improved to 1.35 in 2016 from .97 at the start of the year. The Company set an internal current ratio threshold of at least 1.00.

V. OTHER INFORMATION:

1. There were no known trends, events or uncertainties that have material impact on liquidity.
2. The Corporation (SMPC) provides interim corporate suretyship in favor of the lenders of SCPC for its PHP9.6 billion 7-year loan availed on 26 May 2010. The security may however be suspended within the term of the loan when the conditions set forth in the loan contract are met. SCPC started to amortize the loan in 2011; as at end of this year outstanding balance decreased to PHP128.00 million. Also, the corporation provides interim corporate suretyship in favor of the lenders of SLPGC for the project debt facility amounting to P11.5 billion that financed the 2x150MW power plant expansion at Calaca, Batangas. It started amortizing the loan in 2015; as at end on this year outstanding balance decreased to PHP9.37 billion.
3. There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.
4. The Corporation committed to purchase mining and support equipment totalling USD106.97 million for the refleeting of old mining equipment and for the increase in capacity to 14 million MT annually. Also it allocated USD23.00 million for Coal handling, Safety, Training and other support and equipment, Meanwhile SCPC started its life extension program in latter part 2016. This is a 3 year program that aims to increase the generation capacity of SCPC's Unit 1 by 50 MW to 70 MW using local coal. The program also extends the life of SCPC power units by around 20 years.

   On April 26, 2016, SRPGC signed a Power Sales Agreement for 400 MW of its output with Manila Electric Company (Meralco) subject to ERC approval. The Company is still waiting for ERC approval of the PSA as at December 31, 2016. On April 27, 2016, MERALCO PowerGen Corporation (MGen), a wholly owned subsidiary of Meralco, entered into a Joint Venture Agreement (JVA) with SMPC to acquire 50% of the SRPGC's capital stock. As at December 31, 2016, SRPGC is equally owned by SMPC and MGen.
5. For 2016, we expect an increase in the demand for Semirara Coal in the domestic market with the commissioning of new power plants and small boilers that can utilize 100% Semirara coal. This trend is expected to continue in the succeeding years as a result of the competitiveness of Semirara Coal over imported coal.
6. There are no significant elements of income of loss from continuing operations.
7. There were no subsequent events that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements.
8. The Group's operation is not cyclical or seasonal in nature. Mining activities is continuous throughout the year as coal production output from period to period can be adjusted through efficient mine planning on both short-term and long-term, mitigating negative impact of the rainy season to mine operations. The power generation business is also operational throughout the year as maintenance shutdown is just part of normal operation of the plant and programmed ahead of time.

9. On 12 February 2016, the Department of Environment and Natural Resources approved the Company's application to increase maximum mineable capacity from 8 million MTs to 12 million MTs then it was increased to 16 million MTs on 29 April 2016 anticipating the start Molave mine project.
10. On 24 February 2016, the Board of Investments (BOI) approved the Company's application for registration for its Molave mine. As a BOI-registered enterprise, the Company is entitled to benefits like Income Tax Holiday.

Full Years 2014-2015

I. PRODUCTION – COMPARATIVE REPORT 2015 vs 2014

Coal

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

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

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

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

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

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

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

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

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

SCPC

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

Unit One

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

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

Unit Two

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

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

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

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

SLPGC

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

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

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

Coal

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

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

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

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

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

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

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

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

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

POWER

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

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

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

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

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

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

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

COMPARATIVE PLANT PERFORMANCE DATA
(in GWh ; PHP)

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

SLPGC

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

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

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

III. FINANCE

A. Sales and Profitability

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. <u>Solvency and Liquidity</u>

Internal cash generation in the first nine months of operations this year amounted to PHP10.68 billion. Consolidated loan availments amounted to PHP9.88 billion, broken down as follows: coal's medium-term loan fund maintenance CAPEX amounting to PHP7.22 billion, SCPC's short-term working capital loans of PHP1.80 billion, and SLPGC's remaining project finance line of PHP1.01 billion. Coal received PHP76.46 million from sale of retired assets and SCPC receipt of the adjustment of the Sinking Fund of Php61.55 million Combined with beginning Cash of PHP3.68 billion, total consolidated Cash available during the period stood at PHP24.40 billion.

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

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

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

Net increase in consolidated Cash during the period stood at PHP1.06 billion. Consolidated Ending Cash closed at PHP4.75 billion, posting a 29% growth from beginning balance of PHP3.68 billion. Coal, SCPC, and SLPGC recorded ending cash of PHP2.64 million, PHP881.39 billion, and PHP1.20 billion, respectively. Other pre-operating business closed the period with a total cash balance of PHP22.77 million

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

C. <u>Financial Condition</u>

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

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

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

Consolidated Receivables dropped by 34% to PHP27.81 billion from PHP4.13 billion beginning balance. The coal segment's receivables of PHP1.35 billion is mainly trade related. Power receivables decreased 54% to PHP1.19 billion from PHP2.59 billion as at the start of the year. These mainly account for the provision for possible uncollectibilty of the questioned spot sales in Q4 2013. Due to a wide gap in power demand and supply in the last two months of 2013, spot prices surged. While the Energy Regulatory Commission issued a resolution invalidating market prices on November and December 2013, and instead imposed administrative pricing, a case is still pending before the Supreme Court on the issue. The company is still waiting for further development of the case. SLPGC recorded PHP245.99 million in Trade Receivables for sales realized during plant commissioning.

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

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

Consolidated Other Current Assets increased by 26% to PHP2.72 billion from PHP2.17 billion beginning balance. The coal segment's Other Current Assets of PHP759.43 billion is mainly comprised of advances to suppliers for importations and down payment for contracted services amounting to PHP318.51 million and prepaid income taxes of PHP436.39 million. On the other hand, SCPC's Other Current Assets of PHP353.36 million mainly accounted for advances to suppliers and prepaid expenses. SLPGC recorded Other Current Assets of PHP1.64 billion, accounted for advances to suppliers and VAT input taxes for Php820.20 million and Php790.48 million.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VI. PERFORMANCE INDICATORS:

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

VII. OTHER INFORMATION:

1. There were no known trends, events or uncertainties that have material impact on liquidity.
2. The Corporation provides interim corporate suretyship in favor of the lenders of SCPC for its PHP9.6 billion 7-year loan availed on 26 May 2010. The security may however be suspended within the term of the loan when the conditions set forth in the loan contract are met. SCPC started to amortize the loan in 2011; as at end of the year outstanding balance decreased to PHP2.297 billion. Also, the corporation provides interim corporate suretyship in favor of the lenders of SLPGC for the project debt facility amounting to P11.5 billion to finance the on-going construction of 2x150MW power plant expansion at Calaca, Batangas. It started amortizing the loan during the year, and as of December 31, 2015, the total amount drawn from said debt facility is P11.075 billion.
3. There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.
4. The Corporation has no major purchase commitment of mining equipment, except for the on-going construction of the 1x15 MW CFB Power Plant for its mine operation, a replacement of the old unit with estimated cost of P1.2 billion. For the meantime, this project is financed by short-term and medium-term loans for conversion to long-term loan when deemed necessary, and the on-going construction of 2x150MW power plant expansion at Calaca, Batangas which is financed by project debt facility with 60-40 debt-to equity ratio.
5. For 2016, we expect an increase in the demand for Semirara Coal in the domestic market with the commissioning of new power plants and small boilers that can utilize 100% Semirara coal. This trend is expected to continue in the succeeding years as a result of the competitiveness of Semirara Coal over imported coal.
6. There are no significant elements of income of loss from continuing operations.
7. There were no subsequent events that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements.
8. The Group's operation is not cyclical or seasonal in nature. Mining activities is continuous throughout the year as coal production output from period to period can be adjusted through efficient mine planning on both short-term and long-term, mitigating negative impact of the rainy season to mine operations. The power generation business is also operational throughout the year as maintenance shutdown is just part of normal operation of the plant and programmed ahead of time.
9. 9. On 12 February 2016, the Department of Environment and Natural Resources approved the Company's application to increase maximum mineable capacity from 8 million MTs to 12 million MTs.
10. On 24 February 2016, the Board of Investments (BOI) approved the Company's application for registration for its Molave mine. As a BOI-registered enterprise, the Company is entitled to benefits like Income Tax Holiday.

B. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

The principal accountants and external auditors of the Company and its Subsidiaries[7] is the accounting firm SyCip Gorres Velayo & Co. (SGV). Pursuant to the General Requirements of SRC Rule 68, paragraph 3 (Qualifications and Reports of Independent Auditors), the Company and its Subsidiaries has engaged the services of SGV as external auditor of the Company, and Ms. Cyril Jasmin B. Valencia is the Partner-In-Charge starting 2012 or less than five years following the regulatory policy of audit partner rotation every five years.

On February 22, 2018, the Board of Directors of the Corporation, upon recommendation of its Audit Committee, approved and recommended the re-appointment of SGV, subject to the stockholders' approval, as the Corporation's Independent External Auditor for the fiscal year 2018.

(1) External Audit Fees and Services

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

In Millions Pesos with VAT	
2016	6.0[8]
2017	6.3[9]
Total	**12.3**[10]

(b) Tax Fees. - There are no fees billed in each of the last fiscal years for professional services rendered by the SGV for tax accounting, compliance, advice, planning and any other form of tax services.

(c) All Other Fees. – In 2017, non-audit fees paid to SGV amounted to Php123,200.00 for engagement in performing as an independent party to count and/or validate the votes at the Annual Stockholders' Meeting. There are no significant fees paid in 2017 for products and services provided by SGV other than services reported under item (a) above.

(2) There have been no changes in or disagreement with the Company and its Subsidiaries' accountant on accounting and financial disclosures.

(3) The Company's Audit Committee oversees the external audit function on behalf of the Board of Directors (Board). It recommends the appointment, reappointment or replacement of external auditor to the Board. It is charge with the evaluation of the audit work engagements, its scope, fees and terms for approval of the Board. The Audit Committee also reviews non-audit services and taxation advice, if any, by the external auditor. At the conclusion of the annual audit, it discusses with Management and the external auditor significant reporting issues. Lastly, the Audit Committee reviews external audit findings in respect of any significant deficiencies or weaknesses in controls and ensure that Management responds appropriately with timely corrective actions, including audit adjusting entries noted or proposed but passed as immaterial or otherwise. Honorio O. Reyes-Lao is the Chairman of the Audit Committee while Rogelio M. Murga and Herbert M. Consunji are Members.

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

A. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

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

Regular Directors:

[7] SCPC and SLPGC were incorporated in November 2009 and August 2011, respectively.
[8] Includes Subsidiaries audit fee of P3.4 Million.
[9] Includes Subsidiaries audit fee of P2.4 Million.
[10] Audit and audit-related fees only; no fees for other assurance and related services were paid.

1. **ISIDRO A. CONSUNJI**
69, Filipino, is a Director of SMPC since May 2001 and became the Chairman of the Board in November 2014. Currently, he serves as the Chief Executive Officer; and Member of the Corporate Governance Committee and Risk Committee, respectively.

Education:
B.S. Civil Engineering, University of the Philippines; Master's Degree in Business Economics, Center for Research & Communication; Master's Degree in Business Management, Asian Institute of Management; Advanced Management, IESE School in Barcelona, Spain. He is a Civil Engineer by profession.

Directorship in Listed Companies:
DMCI Holdings, Inc., *Director & President;*
Crown Equities, Inc., *Director;* and
Atlas Consolidated Mining and Development Corporation, *Director.*

Other Directorships/Positions:
SEM-Calaca Power Corporation, *Chairman & CEO;*
Southwest Luzon Power Generation Corporation, *Chairman & CEO;*
Semirara Claystone Inc., *Chairman & CEO;*
Semirara Energy Utilities Inc., *Chairman & CEO;*
Southeast Luzon Power Generation Corporation, *Chairman & CEO;*
SEM-Cal Industrial Park Developers Inc., *Chairman & CEO;*
DMCI Mining Corporation, *Chairman & CEO;*
St. Raphael Power Generation Corporation, *Chairman;*
ENK Plc (U.K.), *Chairman;*
DMCI Masbate Power Corporation, *Vice-Chairman;*
Dacon Corporation, *Director;*
M&S Company Inc., *Director;*
DMCI Projects Developers, Inc., *Director;*
Toledo Mining Corporation Plc (U.K.), *Director;*
Semirara Cement Corporation, *Director & President;*
Maynilad Water Services, *Director;*
Private Infra Dev Corp., *Director;*
SEM-Calaca Res Corporation, *Director;* and
Asian Institute of Management*, Board of Trustee.*

Former Affiliations:
Philippine Constructors Association, *President;* and
Philippine Chamber of Coal Mines, Inc., *President.*

2. **VICTOR A. CONSUNJI**
67, Filipino, is a Director of SMPC since May 2001 and became the Vice-Chairman of the Board in November 2014. Currently, he is the President and Chief Operating Officer; and Member of the Risk Committee.

Education:
A.B. Political Science, Ateneo de Davao.

Directorship in Listed Companies:
DMCI Holdings, Inc., *Director*

Other Directorships/Positions:
SEM-Calaca Power Corporation, *President & COO;*
Semirara Claystone Inc., *President & COO;*
Semirara Energy Utilities Inc., *President & COO;*
Southeast Luzon Power Generation Corporation, *President & COO;*
Southwest Luzon Power Generation Corporation, *President & COO;*
SEM-Cal Industrial Park Developers Inc., *President & COO;*
Semirara Training Center, Inc., *Chairman, President & CEO;*
DMCI Power Corporation, *Chairman and CEO;*

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

Former Affiliations:
One Network Bank, *Chairman.*

3. **JORGE A. CONSUNJI**
66, Filipino, is a Director of SMPC since May 2001.

Education:
B.S. Industrial Management Engineering, De La Salle University.

Directorship in Listed Companies:
DMCI Holdings, Inc., *Director*.

Other Directorships/Positions:
DMCI Masbate Power Corporation, *Chairman;*
Dacon Corporation, *Director;*
DMCI Project Developers, Inc., *Director;*
SEM-Calaca Power Corporation, *Director;*
Southwest Luzon Power Generation Corporation, *Director;*
Semirara Claystone Inc., *Director;*
Semirara Energy Utilities Inc., *Director;*
Southeast Luzon Power Generation Corporation, *Director;*
SEM-Cal Industrial Park Developers Inc., *Director;*
SEM-Calaca Res Corporation, *Director;*
Cotabato Timberland Co., Inc., *Director;*
M&S Company, Inc., *Director;*
Sodaco Agricultural Corporation, *Director;*
DMCI Mining Corporation, *Director;*
DMCI Power Corporation, *Director;*
Eco-Process & Equipment Phils. Inc., *Director;*
Maynilad Water Services, Inc., *Director;*
D.M. Consunji, Inc., *President & COO;*
Royal Star Aviation, Inc., *President & COO;* and
Divine Word School of Semirara Island, Inc., *Trustee & Vice-President.*

Former Affiliations:
Contech Panel Mfg., Inc., *Chairman;*
St. Raphael Power Generation Corporation, *Director;*
Wire Rope Corp. of the Philippines, *Chairman;*
St. Raphael Power Generation Corporation, *Director;*
ACEL, *President;* and
Phil. Constructors Association, *Vice-President.*

4. **CESAR A. BUENAVENTURA**
88, Filipino, is a Director of SMPC since May 2001.

Education:
Bachelor of Science in Civil Engineering, University of the Philippines; M.S. Civil Engineering, Lehigh University, Bethlehem, Pennsylvania (Fulbright Scholar). In 1991, He was made Honorary Officer of the Order of the British Empire (OBE) by Her Majesty Queen Elizabeth II.

Directorship in Listed Companies:
DMCI Holdings, Inc., *Director;*
iPeople, Inc., *Director;* and
PetroEnergy Resources Corp., *Director.*

Other Directorships/Positions:
Maibarara Geothermal, Inc., *Chairman;*
Atlantic Gulf & Pacific Company of Manila (AG&P), *Vice-Chairman;*
Montecito Properties, Inc., *Vice-Chairman;*
Semirara Cement Corporation, *Vice-Chairman;*
Montecito Properties, Inc., *Director;*
Pilipinas Shell Petroleum Corporation, *Director;*
Philippine American Life Insurance Company, *Director;*
Manila International Airport Authority, *Director;*
Pilipinas Shell Foundation, Inc., *Founding Chairman;* and
Makati Business Club, *Founding Member of the Board of Trustees.*

Former Affiliations:
President of the Benigno S. Aquino Foundation, *President;*
Asian Institute of Management, *Member of the Board of Trustees;*
Shell Group of Companies, *CEO;*
Central Bank of the Philippines, *Member of the Monetary Board;*
Philippine International Convention Center, *Director;*
University of the Philippines, *Member of the Board of Regents;*
Ayala Corporation, *Director;*
First Philippine Holdings Corporation, *Director;*
Philippine Airlines, *Director;*
Philippine National Bank, *Director;*
Benguet Corporation, *Director;*
Asian Bank, *Director;*
Ma. Cristina Chemical Industries, *Director;* and
Paysetter International Inc., *Director.*

5. **HERBERT M. CONSUNJI**
65, Filipino, is a Director of SMPC since May 2001. He also serves as a Member of SMPC's Audit Committee.

Education:
Bachelor of Science in Commerce Major in Accounting, De La Salle University; and Top Management Program, Asian Institute of Management. He is a Certified Public Accountant.

Directorship in Listed Companies:
DMCI Holdings, Inc., *Director, Vice-President & CFO*

Other Directorships/Positions:
DMCI Power Corporation, *Director;*
DMCI Mining Corporation, *Director;*
SEM-Calaca Power Corp., *Director;*
Semirara Claystone Inc., *Director;*
Southwest Luzon Power Generation Corporation, *Director;*
Subic Water & Sewerage Corp., *Director;*
SEM-Cal Industrial Park Developers Inc., *Director;* and
SEM-Calaca Res Corporation, *Director & Treasurer*.

6. **MARIA CRISTINA C. GOTIANUN**
63, Filipino, is a Director of SMPC since May 2006 and currently serves as the Executive Vice-President and Chief Information Officer; and member of the Remuneration & Compensation Committee, Risk Committee, and Compliance Committee, respectively.

Education:
B.S. Business Economics, University of the Philippines.

Directorship in Listed Companies:
None.

Other Directorships/Positions:
Dacon Corporation, *Director and Corporate Secretary;*
D.M. Consunji, Inc., *Vice-President for Finance & Administration & CFO;*
DMC-Project Developers, Inc., *Finance Director;*
SEM-Calaca Power Corporation, *Director & Treasurer;*
Southwest Luzon Power Generation Corporation, *Director & Treasurer;*
Semirara Claystone Inc., *Director & Treasurer;*
Semirara Energy Utilities Inc., *Director & Treasurer;*
Southeast Luzon Power Generation Corporation, *Director & Treasurer;*
DMCI Power Corporation, *Director & Treasurer;*
DMCI Masbate Power Corporation, *Director & Treasurer;*
SEM-Cal Industrial Park Developers Inc., *Director & Treasurer;*
Daveprime Holdings, Inc., *Director;*
DMCI Holdings, Inc., *Asst. Treasurer (listed company);* and
Divine Word School of Semirara Island, Inc., *Trustee, CFO & Corporate Secretary.*

Former Affiliations:
St. Raphael Power Generation Corporation, *Director and Treasurer.*

7. **MA. EDWINA C. LAPERAL**
56, Filipino, is a Director of SMPC since May 2007.

Education:
B.S. Architecture, University of the Philippines; Master's Degree in Business Administration, University of the Philippines; Executive Certificate for Strategic Business Economics Program, University of Asia & The Pacific. She is a License Architect.

Directorship in Listed Companies:
DMCI Holdings, Inc., *Director & Treasurer.*

Other Directorships/Positions:
Dacon Corporation, *Director & Treasurer;*
D.M. Consunji, Inc., *Director & Treasurer;*
DFC Holdings, Inc., *Director & Treasurer;*
DMCI Project Developers, Inc., *Director & SVP-Treasurer;*
Artregard Holdings, Inc., *Director & Vice-President;*
SEM-Calaca Power Corporation, *Director;*
DMC Urban Property Developers, Inc., *Director & President;* and
Southwest Luzon Power Generation Corporation, *Director*

Former Affiliations:
Institute of Corporate Directors, *Fellow*
United Architects of the Philippines, Makati Chapter
Guild of Real Estate Entrepreneurs and Professionals

8. **JOSEFA CONSUELO C. REYES**
70, Filipino, is a Director of SMPC since March 2015.

Education:
AB Economics, University of British Columbia, Vancouver, Canada. She took Strategic Business Economics Program at the University of Asia and the Pacific in 2007.

Directorship in Listed Companies:
None.

Other Directorships/Positions:
SEM-Calaca Power Corporation, *Director*
Southwest Luzon Power Generation Corporation, *Director*
Manila Herbal & Essential Oils Co., Inc., *General Manager*
Philippine Coffee Board, *Corporate Secretary*
Ecology Village Association, *Director and Chairperson*.

Former Affiliations:
Ecology Village Association, *Director & Vice-President*.

9. **LUZ CONSUELO A. CONSUNJI**
64, Filipino, is a Director of SMPC since May 2, 2017.

Education:
Bachelor's Degree in Commerce Major in Management, Assumption College; and Master's Degree in Business Economics, University of Asia and the Pacific.

Directorship in Listed Companies:
DMCI Holdings, Inc., *Director.*

Other Directorships/Positions:
SEM-Calaca Power Corporation, *Director*
Southwest Luzon Power Generation Corporation, *Director*
South Davao Development Co., *Director;*
Zanorte Palm-Rubber Corp., *Director;*
Dacon Corporation, *Director;* and
Missionaries of Mary Mother of the Poor, *Treasurer.*

Former Affiliations:
One Network Bank, *Director,* and
Mary Mother of the Poor Foundation, *Treasurer*.

10. **ROGELIO M. MURGA**
83, Filipino, is an Independent Director of SMPC since November 2014, and also serves as the Chairman of the Compensation & Remuneration Committee, Corporate Governance Committee, and Risk Committee, respectively; and Member of the Audit Committee. He is also the Lead Director appointed by the Board in compliance with the Code of Corporate Governance for publicly-listed companies.

Education:
Bachelor of Science degree in Mechanical Engineering, University of the Philippines (1958); Senior Management Program, Harvard Business School in Vevey, Switzerland (1980); and was conferred in Honorary Degree of Doctor of Science – *Honoris Causa* by Feati University (2004).

Directorship in Listed Companies:
None.

Other Directorships/Positions:
Private Infra Dev Corp., Currently, *Chairman & CEO;*
SEM-Calaca Power Corporation, *Independent Director;*
Meralco Industrial Engineering Services Corp., *Independent Director;* and
Southwest Luzon Power Generation Corporation, *Independent Director.*

Former Affiliations:
National Power Corporation, *President & CEO;*
EEI Corporation, *Vice-Chairman, Director, President & COO;*
Philippine Constructors Association, *President;*
International Federation of Asian and Western Pacific Contractors Association, *President;*
Management Association of the Philippines, *Member;*
Philippine Chamber of Commerce and Industry, *Chairman of the Committee on Engineering and Construction;*
DCCD Engineering Corporation, *Consultant;* and
National University, *Engineering Professor*.

11. **HONORIO O. REYES-LAO**
73, Filipino, is an Independent Director of SMPC since May 2, 2017. He is also the Chairman of the Audit Committee; and Member of the Compensation & Remuneration Committee, Corporate Governance Committee, and Risk Committee, respectively.

Education:
Bachelor of Arts Major in Economics, De La Salle University; Bachelor of Science in Commerce, Major in Accounting, De La Salle University; and Master's Degree in Business Management, Asian Institute of Management.

Directorship in Listed Companies:
DMCI Holdings, Inc., *Independent Director;* and
Philippine Business Bank, *Independent Director*

Other Directorships/Positions:
SEM-Calaca Power Corporation, *Independent Director*
Southwest Luzon Power Generation Corporation, *Independent Director*
Space2place, Inc., *Independent Director*.

Former Affiliations:
Gold Venture Lease and Management Services Inc. (2008-2009);
First Sovereign Asset Management Corporation (2004-2006);
CBC Forex Corporation (1998-2002);
CBC Insurance Brokers, Inc. (1998-2004);
CBC Properties and Computers Center, Inc. (1993-2006);
Institute of Corporate Directors, *Fellow;*
Rotary Club of Makati West, *Member/Treasurer;* and
Makati Chamber of Commerce and Industries, *President.*

<u>Executive Officers</u>

Isidro A. Consunji*	-	Chief Executive Officer
Victor A. Consunji*	-	President & Chief Operating Officer
Maria Cristina C. Gotianun*	-	Executive Vice-President & Chief Information Officer
Junalina S. Tabor	-	Chief Finance Officer
Jaime B. Garcia	-	VP-Procurement & Logistics
Nena D. Arenas	-	VP, Chief Governance Officer & Compliance Officer
John R. Sadullo	-	VP-Legal & Corporate Secretary
Antonio R. Delos Santos	-	VP-Treasury
Jose Anthony T. Villanueva	-	VP-Marketing for Coal
Andreo O. Estrellado	-	VP-Marketing for Power
Ruben P. Lozada	-	VP-Mining Operations & Resident Manager
Carla Cristina T. Levina	-	VP-Chief Audit Executive
Sharade E. Padilla	-	AVP-Investor and Banking Relations
Karmine Andrea B. San Juan	-	AVP-Corporate Planning Power
Jojo L. Tandoc[11]	-	AVP-Human Resources

**Member of the Board*

[11] Appointed on February 15, 2018.

1. **Jaime B. Garcia**, 62, Filipino, is the Vice-President for Procurement and Logistics since May 2006. He has over 25 years of experience in senior management level with D.M. Consunji Group of Companies inclusive of overseas experience in strategic sourcing and supply chain management, procurement, materials management and logistics in coal mining industry, energy (coal fired power plant), construction, shipping, agro-forest timber and wood processing, aviation and maritime industry. He graduated with a degree of B.S. Management and Industrial Engineering at Mapua Institute of Technology and obtained his Master's degree in Business Administration at De La Salle University in 1994 and in Business Economics at the University of Asia & the Pacific in 1998. He is currently holding the position of Secretary and Treasurer of Royal Star Aviation, Inc., Director of Semirara Cement Corporation, Executive Vice-President of DMC Construction Equipment Resources, Inc., Director & Vice-President of M&S Company, Inc., Vice-President of Zanorte Palm-Rubber Plantation Inc., and South Davao Development Co., Inc.

2. **Junalina S. Tabor**, 54, Filipino, is the Vice President and Chief Finance Officer since May 2010, and is Member of the Risk Committee. She graduated *Magna Cum Laude* with a degree of Bachelor of Science in Commerce, Major in Accounting in 1984 at Saint Joseph College and is a Certified Public Accountant. She obtained her Master's degree in Public Administration at the University of the Philippines in 1995 under the Local Scholarship Program (LSP) of the Civil Service Commission. She earned her Certificate in Business Economics from the School of Economics, University of Asia and the Pacific in June 2012 under its Strategic Business Economics Program (SBEP) and also completed the modular course in Computer Literacy Program at Systems Technology Institute as half scholar in 1988. Prior to joining the Corporation in 1997, she held various positions with the Commission on Audit from State Auditor Examiner to State Auditor in 1984-1997. She was Team Leader in special audit engagements in certain government owned and controlled corporations from 1994-1996. She is also concurrently the Chief Finance Officer of SEM-Calaca Power Corporation.

3. **John R. Sadullo**, 47, Filipino, is the Vice-President for Legal since November 2013, Corporate Secretary, Counsel and Corporate Information Officer since May 2005; and a Member of the Compliance Committee. He graduated with a degree of A.B. Major in Political Science at the University of Santo Tomas. He obtained his Bachelor of Laws degree at San Beda College of Law in 1996 and was admitted to the BAR in 1997. He currently holds the position of Corporate Secretary of SEM-Calaca Power Corporation, Southwest Luzon Power Generation Corporation, Semirara Energy Utilities Inc., Southeast Luzon Power Generation Corporation, Semirara Claystone Inc., SEM-Cal Industrial Park Developers Inc., and SEM-Calaca Res Corporation. He is also the Asst. Corporate Secretary of St. Raphael Power Generation Corporation, and Semirara Training Center, Inc.; and previously the Corporate Secretary of DMCI Mining Corporation and DMCI Masbate Power Corporation.

4. **Nena D. Arenas**, 57, Filipino, is the Vice President, Chief Governance Officer and Compliance Officer since August 2013; and a Member of the Compliance Committee. Before her appointment, she was Good Governance Officer of SMPC since July 2005. Prior to joining SMPC, she was a Director, Chief Finance Officer and Vice-President of MCA Universal Inc.; Director of MCA Music Inc. and Reach Youth Ministries, a non-stock, non-profit organization. She has more than 15 years extensive experience in finance, accounting, budget & forecasting, information technology, warehousing, legal & business affairs, human resources and administration management. She also has seven years of experience in external audit at SGV & Co. She is currently a Fellow of the Institute of Corporate Directors. She is a Certified Public Accountant and graduated *Cum Laude* with a degree in Bachelor of Science major in Accounting at the University of St. La Salle.

5. **Antonio R. delos Santos**, 65, Filipino, is the Vice-President for Treasury since November 2013. He graduated with a degree of Bachelor of Science in Business Administration at De La Salle University. He was the Treasury Head of SMPC prior his appointment. Before joining SMPC, he was the Finance Officer of DMCI Holdings, Inc.

6. **Jose Anthony T. Villanueva**, 53, Filipino, is the Vice-President for Marketing since November 2013. He received his Bachelor of Science degree in Mechanical Engineering and obtained his Master's degree in Business Administration both at De La Salle University. He also earned his Master's degree in Public Management at the University of the Philippines. He has undergone

intensive training in financial modeling in Singapore and completed the Petroleum Energy Policy and Management Program in Norway as full scholar of the Norwegian Petroleum Directorate. Prior to his appointment, he was the Marketing Manager of SMPC since 2011. For more than 20 years he has been the forefront of the energy industry and held various positions as Department Manager for Finance and Planning, Business Development and Information Technology, Corporate Planning and as General Manager for Coal Division of state-owned company engaged in the exploration, development and production of geothermal, oil and gas and coal in the Philippines.

7. **Andreo O. Estrellado**, 56, is the Vice-President for Marketing for Power since May 5, 2017. He graduated with a degree of Bachelor of Science in Chemical Engineering at the Mapua Institute of Technology and obtained his Master's degree in Business Administration from Ateneo de Manila University. Prior to his appointment, he served as the Assistant Vice President for Market and Commercial Operations of the company's affiliate, Sem-Calaca Power Corporation. He has been in the electric power industry business for more than 30 years performing different functions in the fields of marketing, business and project development, risk management, environmental impact assessment and nuclear physics for various government and private electric power companies. He was once affiliated with the National Power Corporation, National Transmission Corp, Manila Oslo Renewable Enterprises/SN Aboitiz Power, East Asia Power Corporation, Resource Management International (Navigant Consulting), and Magellan Utilities Development Corp. He also served as consultant of International Resources Group, Philippines; and Alternative Energy Development, Philippines for some of their World Bank and UNDP funded projects.

8. **Ruben P. Lozada**, 62, Filipino, is the Resident Manager since August 24, 2016, and a Member of the Compliance Committee. He graduated with a degree of Bachelor of Science in Civil Engineering at Mindanao State University in 1978. He was the Assistant Resident Manager of the Corporation for 14 years, more or less, prior to his promotion. He is a Civil Engineer by profession.

9. **Carla Cristina T. Levina**, 33, Filipino, is the Vice-President, Chief Audit Executive since August 9, 2017. She graduated *Cum Laude* with a degree of Bachelor of Science in Accountancy at the University of Sto. Tomas in 2005 and placed 17th at the CPA Board Exams in October 2005. She was with SMPC for more than 4 years as an Internal Audit Manager before being appointed as Chief Audit Executive. Prior to joining SMPC, she was a Director at SyCip Gorres Velayo & Co. under the IT Risk and Assurance Services. She has more than 12 years of IT audit and internal audit experience specializing in the risk-based audit of business processes, evaluation of risks and internal controls, and in performing independent assessments and third-party reporting audit engagements. She is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA) and IRCA Certified QMS 9001:2015 Lead Auditor.

10. **Sharade E. Padilla**, 39, Filipino, is the Asst. Vice-President for Investor and Banking Relations since November 2013. She graduated *Magna Cum Laude* with a degree of Bachelor in Business Administration, Major in Management and obtained her Master's degree in Business Administration both at Siliman University. Before her appointment, she held the following positions in SMPC: Investment Relations and Business Development Officer (2007-2013), and Senior Financial Analyst (2003-2007). Her previous affiliations include Jr. Financial Analyst, Dacon Corporation; and Information Officer/Executive Assistant of the City Administrator of Tacloban City. She has nine years of experience in investor relations and more than eleven years of experience in financial analysis and in treasury and banking relations, among others.

11. **Karmine Andrea B. San Juan**, 34, Filipino, is the Asst. Vice-President for Corporate Planning Power since August 9, 2017. She graduated with a degree of Business Administration and Accountancy at the University of the Philippines, Diliman. She was SMPC Group's Internal Audit Manager before transferring to Corporate Planning. She also worked as an IT Audit Manager at SM Investments Corporation and was a Senior Associate at SGV & Co. under the IT Risk and Assurance practice. She is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA) and is Certified in Risk and Information Systems Control (CRISC).

12. **Jojo L. Tandoc**, 41, Filipino, is the Asst. Vice-President, Human Resources since February 15, 2018. He graduated with a degree of Bachelor of Science in Psychology at Lyceum Northwestern University, and pursued his Master's degree in Business Administration major in International Business Management at Metro-Dagupan Colleges, and Master of Arts major in Clinical Psychology at the Pamantasan ng Lungsod ng Maynila. He also had post graduate Diploma in Organization Development from Dela-Salle College of Saint Benilde SPaCe Program. At present, he is completing his degree of Doctor of Philosophy major in Organization Development at the Southeast Asia Inter-Disciplinary Development Institute (SAIDI) Graduate School of Organization Development. He is a Registered Psychologist (RPsy), a Registered Psychometrician (RPm) and a Certified Industrial/Organizational Psychologist (CIOP) of the Psychological Association of the Philippines. He is also a Certified Business Administrator (CBA) for his post-graduate study in Management issued by the Chartered Association of Business Administrator of Canada and received a Certificate in Talent Management and Succession Planning from the Pennyslvania State University. Prior to joining SMPC, he was the AVP-Human Resources & Administration of DMCI Power Corporation. His past affiliations include Meralco PowerGen Corporation, SN Aboitiz Power, Indra Sistemas (Soluziona) Philippines, and TEaM Sual Corporation in various capacities in human resource development & organization development practice. He was also an International HR Consultant in Vietnam as a Project Manager/Senior Consultant of Indra Sistemas where he worked with World Bank and the Government of Vietnam in setting up the Human Resources and Organizational Development systems of the Electricity of Vietnam.

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

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

The record of attendance of Directors to board meetings for the year 2017 is as follows:

Board	Name	Date of Election	Number of Meeting Held during the Year	Meetings Attended	%
Chairman	Isidro A. Consunji	May 2, 2017	11	11	100
Member	Victor A. Consunji	May 2, 2017	11	11	100
Member	Jorge A. Consunji	May 2, 2017	11	9	82
Member	Herbert M. Consunji	May 2, 2017	11	10	91
Member	Cesar A. Buenaventura	May 2, 2017	11	11	100
Member	Maria Cristina C. Gotianun	May 2, 2017	11	10	91
Member	Ma. Edwina C. Laperal	May 2, 2017	11	10	91
Member	Josefa Consuelo C. Reyes	May 2, 2017	11	11	100
Member	Luz Consuelo A. Consunji*	May 2, 2017	7	7	100
Independent	Rogelio M. Murga	May 2, 2017	11	10	91
Independent	Honorio O. Reyes-Lao*	May 2, 2017	7	7	100

**Messrs. Luz Consuelo A. Consunji and Honorio O. Reyes-Lao have attended only seven meetings of the board following their election on May 2, 2017.*

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

Term of Office. - The term of office of the Directors and Executive Officers is one (1) year from their election. All Directors will have served for a period of approximately twelve (12) months by May 7, 2018.

Independent Directors. – The Corporation's Manual on Corporate Governance submitted to SEC on May 30, 2017 requires at least two (2) Independent Directors or such number of Independent Directors as shall constitute at least twenty percent (20%) of the members of the Board of Directors of the Corporation, whichever is lesser. The two (2) nominees for Independent Directors will be selected by the Corporate Governance Committee in accordance with the guidelines in the Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, Series of 2009) and the Guidelines on the Nomination and Election of Independent Directors (SRC Rule 38).

On December 8, 2008, the SEC approved the amendment to the Corporation's By-Laws to include Art. III thereof on the adoption of SRC Rule 38. The Corporation abides to SRC Rule 38, its By-Laws, and the relevant or subsequent circulars, memoranda or notices of SEC regarding the qualifications, nomination and election, the submission of certificate of qualification, and the required number of independent directors. DMCI Holdings, Inc. (DHI) is the majority stockholder of the Corporation and Mr. Honorio O. Reyes-Lao, elected independent director of the Corporation, is a stockholder or independent director of DHI.

In 2017, Rogelio M. Murga and Honorio O. Reyes-Lao were nominated by a non-controlling stockholder of the Company. Both were elected by the stockholders as independent directors at the Company's annual meeting held on May 2, 2017. Mr. Murga and Reyes-Lao have served the Company as independent directors for at least three (3) years and one (1) year, respectively, at the annual stockholders' meeting this May 7, 2018. The Company has not encountered any restraint from the stockholders in retaining its independent directors. It has been a consensus of the stockholders to elect them during the meeting. Notwithstanding the recent SEC Memorandum Circular No. 4, Series of 2017, the independent directors herein are compliant with the term limit requirement, which requires that independent directors shall serve for a maximum cumulative term of nine (9) years reckoning from 2012.

Other Directorship Held in Reporting Companies:

Cesar A. Buenaventura	▪ Vice-Chairman, DMCI Holdings, Inc. ▪ PetroEnergy Resources Corporation ▪ iPeople, Inc.
Isidro A. Consunji	▪ Chairman, President & CEO, DMCI Holdings, Inc. ▪ Director, Crown Equities, Inc. ▪ Director, Atlas Consolidated Mining and Development Corp.
Jorge A. Consunji	▪ Director, DMCI Holdings, Inc.
Victor A. Consunji	▪ Director, DMCI Holdings, Inc.
Herbert M. Consunji	▪ Director, DMCI Holdings, Inc.
Ma. Edwina C. Laperal	▪ Director, DMCI Holdings, Inc.
Honorio O. Reyes-Lao	▪ Independent Director, DMCI Holdings, Inc. ▪ Director, Philippine Business Bank
Luz Consuelo A. Consunji	▪ Director, DMCI Holdings, Inc.

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

Names	Citizenship	Position	Age
Isidro A. Consunji	Filipino	CEO	69
Victor A. Consunji	Filipino	President & COO	67
Maria Cristina C. Gotianun	Filipino	Executive Vice President	63
Junalina S. Tabor	Filipino	VP & Chief Finance Officer	54
Jaime B. Garcia	Filipino	VP-Procurement & Logistics	62
Nena D. Arenas	Filipino	VP, Chief Governance Officer & Compliance Officer	57
John R. Sadullo	Filipino	VP-Legal & Corporate Secretary	47
Antonio R. Delos Santos	Filipino	VP-Treasury	65
Jose Anthony T. Villanueva	Filipino	VP-Marketing for Coal	53
Andreo O. Estrellado	Filipino	VP-Marketing for Power	56
Ruben P. Lozada	Filipino	VP-Mining Operations & Resident Manager	62
Carla Cristina T. Levina	Filipino	VP-Chief Audit Executive	33
Sharade E. Padilla	Filipino	AVP-Investor and Banking Relations	39

Karmine Andrea B. San Juan	Filipino	AVP-Corporate Planning Power	34
Jojo L. Tandoc	Filipino	AVP-Human Resources	41

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

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

(4) Involvement in Certain Legal Proceedings. - None of the directors, executive officers, and nominee for regular or independent director was involved in the past five (5) years in any bankruptcy proceeding. Except for the criminal cases below, neither have they been convicted by final judgment in any criminal proceeding, nor been subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Below are the pending criminal cases filed against the directors of SMPC, Messrs. Isidro A. Consunji, Cesar A. Buenaventura and Ma. Edwina C. Laperal:

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

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

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

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

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

B. EXECUTIVE COMPENSATION

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

Name and Principal Position	Years	Salary	Bonus	Other Annual Compensation
Isidro A. Consunji Chairman & CEO				
Victor A. Consunji Vice-Chairman, President and COO				
Maria Cristina C. Gotianun EVP & Chief Information Officer				
Jaime B. Garcia VP Procurement & Logistics				
Ruben P. Lozada VP Mining Operations & Resident Manager				
	2016	17,764,658.23	72,635,882.37	4,747,729.01
	2017	17,915,500.07	113,823,529.00	5,329,468.01
	2018*	17,915,500.07	113,823,529.00	5,329,468.01
	Total	**₱53,595,658.37**	**₱300,282,940.37**	**₱15,406,665.03**
All other Directors and Officers as a group	**2016**	12,842,073.14	43,233,823.29	16,752,616.55
	2017	21,927,420.06	37,694,117.65	19,907,299.84
	2018*			
	Total	**₱56,696,913.26**	**₱118,622,058.59**	**₱56,567,216.23**

**Approximate amounts*

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

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

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

In 2017, aggregate amount of cash bonus variable pay related to the preceding year's financial performance received by executive and non-executive Directors, including Independent Directors and the CEO, did not exceed above-mentioned limits set by the Company's Amended By-laws.

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

C. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(1) Security Ownership of Certain Record and Beneficial Owners. - The following table sets forth as of March 8, 2018, the record or beneficial owners of more than 5% of the outstanding common shares of the Company and the amount of such record or beneficial ownership.

Title of Class	Name, Address of record owner and relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizen-ship	Amount/ Nature of Record/ Beneficial Ownership	% of Class
Common	DMCI Holdings, Inc., 3/F DACON Building, 2281 Pasong Tamo Ext., Makati City, Stockholder of record	1. Dacon Corporation, stockholder of 6,838,807,440 shares or 51.51% 2. DFC Holdings, Inc., stockholder of 2,379,799,910 or 17.92% 3. PCD Nominee Corp. (Foreign), stockholder of 2,091,541,252shares or 15.72% 4. PCD Nominee Corporation (Filipino), stockholder of 1,517,592,383 shares or 11.43%	Filipino	2,407,770,396 (R)	56.57
Common	PCD Nominee Corp., stockholder of record	No stockholder owning 5% or more under PCD Nominee Corp. (Filipino)	Filipino	690,365,980	16.22
Common	Dacon Corporation, 2/F DMCI Plaza, 2281 Don Chino Roces, Makati City, stockholder of record	Inglebrook Holdings, Inc. holds 4,085,945 shares or 12.45%[12]	Filipino	532,993,408	12.52
Common	PCD Nominee Corp., stockholder of record	No stockholder owning 5% or more under PCD Nominee Corp. (Foreign)	Foreign	322,830,800	07.58

(2) Security Ownership Management. - The table sets forth as of March 8, 2018 the beneficial stock ownership of each Director of the Company and all Officers and Directors as a group.

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership			Citizenship	%
		Direct	Indirect[13]	Total		
Common	Isidro A. Consunji	24,144	4,679,672	4,703,816	Filipino	0.11
Common	Cesar A. Buenaventura	72,120	-	72,120	Filipino	0.00
Common	Victor A. Consunji	144	15,869,736	15,869,880	Filipino	0.37
Common	Jorge A. Consunji	500,144	1,914,956	2,415,100	Filipino	0.06
Common	Herbert M. Consunji	141,120	-	141,120	Filipino	0.00
Common	Honorio O. Reyes-Lao	1,236,040	562,480	1,798,520	Filipino	0.04
Common	Rogelio M. Murga	40,040	-	40,040	Filipino	0.00

[12] Other beneficial owners of Dacon Corporation with the same number of shares are Eastheights Holdings, Inc., Gulfshore Inc., Valemount Corporation, Chrismon Investment Inc., Jagjit Holdings, Inc., La Lumiere Holdings, Inc., Rice Creek Holdings, Inc. while Double Spring Investments Corporation only holds 114,427 shares or .34% of Dacon's issued and outstanding shares.

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

Common	Maria Cristina C. Gotianun	1,428	10,390,389	10,391,817	Filipino	0.24
Common	Ma. Edwina C. Laperal	4,188	6,553,084	6,557,272	Filipino	0.15
Common	Josefa Consuelo C. Reyes	412,400	1,913,600	2,326,000	Filipino	0.05
Common	Luz Consuelo A. Consunji	45,040	-	45,040	Filipino	0.00
Common	Junalina S. Tabor	-	-	-	Filipino	0.00
Common	Jaime B. Garcia	576,432	-	576,432	Filipino	0.01
Common	Nena D. Arenas	16,000	-	16,000	Filipino	0.00
Common	John R. Sadullo	-	-	-	Filipino	0.00
Common	Antonio R. Delos Santos	60,000	-	60,000	Filipino	0.00
Common	Jose Anthony T. Villanueva	3,000	55,560	58,560	Filipino	0.00
Common	Andreo O. Estrellado	-	-	-	Filipino	0.00
Common	Sharade E. Padilla	22,500	1,080	23,580	Filipino	0.00
Common	Ruben P. Lozada	475,200	-	475,200	Filipino	0.01
Common	Carla Cristina T. Levina	-	-	-	Filipino	0.00
Common	Karmine Andrea B. San Juan	120	-	120	Filipino	0.00
Common	Jojo L. Tandoc	400	-	400	Filipino	0.00
Aggregate Ownership of all directors and officers as a group		**3,630,460**	**41,940,557**	**45,571,017**		**1.07**

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

D. CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

There has been no transaction or proposal, for the last two (2) years, to which the Company was or is party, in which any of the directors, executive officers or nominees for director has direct or indirect material interest, outside the recurring regular business transactions incurred by the Company to support the business. Related parties' services were sought to take advantage of affiliated companies' expertise and for cost efficiency, among others. These related party transactions were trade related and transacted at arms-length basis and at terms generally available to an unaffiliated third party or more clearly independent parties, under the same or similar circumstances. There were no transactions in the form of direct financial assistance to affiliates or related entities which are not wholly owned subsidiaries. Note 18 of Notes to Parent Company Financial Statements and Note 20 of Notes to Consolidated Financial Statements for the period ended December 31, 2017 indicate the Company's significant transactions with related parties.

PART V – EXHIBITS AND SCHEDULES

A. Exhibits and reports on SEC Form 17-C

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

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

No.	Subject	Date Reported
1.	Issuance of Certificate of Compliance by Energy Regulatory Commission to Southwest Luzon Power Generation Corporation's Units 3 and 4 Modular Gas Turbine Power Plant valid until 2023.	March 20, 2018
2.	Synchronization of Unit 1 of Sem-Calaca Power Corporation to the grid on March 17, 2018.	March 19, 2018
3.	Press release entitled "SMPC ups capex to P13B".	March 15, 2018
4.	Unit 1 of Southwest Luzon Power Generation Corporation was put down for unplanned outage since March 6, 2018 due to observed abnormal vibration of the equipment. Also, Unit 1 of Sem-Calaca Power Corporation is also undergoing an unplanned outage until March 12, 2018 to give way to boiler slags removal.	March 9, 2018

5.	Approval of final list of nominees to the board of directors for May 7, 2018 annual stockholders' meeting.	March 3, 2018
6.	Approval of the audited consolidated financial statements for the year ended December 31, 2017; Declaration of cash dividends at Php1.25/share with record and payments dates on March 8, 2018 and March 22, 2018; setting the date time and venue of the annual stockholders' meeting on May 7, 2018; and re-appointment of SGV as independent external auditor for year 2018.	February 22, 2018
7.	Report on attendance in corporate governance training program of the Company's director/officer for year 2018; and notice of analysts' briefing on February 26, 2018.	February 20, 2018
8.	Appointment of Jojo L. Tandoc as AVP-Human Resources; setting February 23, 2018 as the deadline of submission of nominees to the board; and report on attendance in corporate governance training program of the Company's director/officer for year 2018.	February 15, 2018
9.	Report on buy-back program for the period covering February 9-12, 2018; and Press Release entitled "Quality auditors affirm SMPC world-class operations."	February 9, 2018
10.	Report on buy-back program for the period covering February 6-8, 2018.	February 6, 2018
11.	Report on buy-back program for the period covering January 31, 2018	January 31, 2018
12.	Report on buy-back program for the period covering January 23-24, 2018.	January 23, 2018
13.	Report on buy-back program for the period covering January 19, 2018.	January 19, 2018
14.	Report on buy-back program for the period covering January 17-18, 2018.	January 17, 2018
15.	Report on buy-back program for the period covering January 9, 2018.	January 9, 2018
16.	Report on buy-back program for the period covering January 3-5, 2018.	January 3, 2018
17.	Report on buy-back program for the period covering December 20-22, 2017.	December 20, 2017
18.	Receipt of Entry of Judgment wherein the CA's Decision dated June 30, 2017 has become final and executory on July 29, 2017 in the case of *PSI vs. SMC, Civil Case No. Q-10-66936, RTC-QC, Br. 97.*	December 19, 2017
19.	Report on buy-back program for the period covering December 15-19, 2017.	December 15, 2017
20.	Report on buy-back program for the period covering December 12-14, 2017.	December 12, 2017
21.	Report on attendance in corporate governance trading of director/officer for year 2017.	December 11, 2017
22.	Report on buy-back program for the period covering December 8-11, 2017.	December 8, 2017
23.	Approval of buy-back of Php2 billion worth of common shares beginning December 8, 2017 to enhance shareholder value and provide stockholders to an opportunity to liquidate their investments.	December 7, 2017
24.	Press Release entitled "SCPC and SLPGC receive ISO seals".	November 23, 2017
25.	Press Release entitled "SMPC spends P3B on Calaca upgrade".	November 10, 2017
26.	Approval of 3rd quarter consolidated financial statements for the period ended September 30, 2017.	November 7, 2017
27.	Notice of analysts' briefing on November 8, 2017.	October 25, 2017
28.	Receipt of Juntilla's petition for certiorari with the CA for the reversal of NLRC's decision dated May 25, 2017 and its resolution dated July 31, 2017 in the case of *"Juntilla vs.*	October 20, 2017

	SMPC, NLRC Case No. RAB-XI-04-00269-16, NLRC, Regional Arbitration Branch No. XI, Davao City."	
29.	Press Release entitled "SMPC H1 royalty payment triples to nearly P1.7B."	October 13, 2017
30.	Report of attendance in corporate governance training program of Ruben P. Lozada for year 2017.	September 29, 2017
31.	Demise of David M. Consunji on September 4, 2017.	September 5, 2017
32.	Receipt of SC Decision dated June 19, 2017 denying the petition for review of the CIR in the case of *"SMC vs. CIR, CTA Case Nos. 7822 and 7849."*	August 31, 2017
33.	Declaration of 300% stock dividend with record and payment dates on September 15, 2017 and October 11, 2017.	August 31, 2017
34.	SEC Approval of the amendment to Art. VII of SMPC's articles of incorporation increasing the authorized capital stock from Php3 billion to Php10 billion.	August 29, 2017
35.	News article entitled *"Semirara open to develop mine-mouth power plant"* posted in BusinessMirror (internet edition) on August 16, 2017.	August 17, 2017
36.	Press Release entitled "SMPC builds 200 houses for new employees"; and report of attendance in corporate governance training program of Rogelio M. Murga for year 2017.	August 16, 2017
37.	Revised guidelines for special cash dividends distribution of Php5/share with record and payment dates on August 25, 2017 and September 8, 2017.	August 15, 2017
38.	Report on the election of Rogelio M. Murga and Honorio O. Reyes-Lao as independent directors of SLPGC on August 11, 2017.	August 14, 2017
39.	Results of Audit Committee self -assessment for year 2017.	August 10, 2017
40.	Report of attendance in corporate governance training program of director/officer for year 2017.	August 10, 2017
41.	Approval of 2nd quarter consolidated financial statements for the period ended June 30, 2017; Declaration of special cash dividends of Php5/share with record and payment dates on August 25, 2017 and September 8, 2017; appointment of Carla Cristina T. Levina and Karmine Andrea B. San Juan as VP-Chief Audit Executive and AVP-Corporate Planning Power, respectively; and notice of analysts' briefing on August 14, 2017.	August 9, 2017
42.	Press Release entitled "SMPC on tract with Panian Rehabilitation."	August 7, 2017
43.	Press Release entitled "SMPC spends P3.5B on fleet modernization."	August 4, 2017
44.	Press Release entitled "SMPC CSR spending hits 81.5M."	August 4, 2017
45.	Press Release entitled "SMPC ramps up hiring in Q1 2017."	July 14, 2017
46.	Receipt of Decision dated June 30, 2017 denying PSI's appeal in the case of *"PSI vs. SMC, Civil Case No. Q-10-66936, RTC-QC, Br. 97."*	July 13, 2017

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Makati on this 12th day of April 2018.

By:

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

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

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

LEANDRO D. COSTALES
Comptroller
(Principal Accounting Officer)

JOHN R. SADULLO
Corporate Secretary

SUBSCRIBED AND SWORN, to before me on this APR 1 2 2018 day of April 2018, at Makati City, Metro Manila, affiants exhibited to me:

Name	Passport/Valid ID No.	Date/Place Issued
Isidro A. Consunji	EC4977907	August 11, 2015/DFA, Manila
Victor A. Consunji	P0016247A	August 22, 2016/DFA, Manila
Junalina S. Tabor	EB9486755	October 31, 2013/DFA, NCR Central
John R. Sadullo	P0031808A	October 11, 2016/DFA, Manila
Leandro D. Costales	SSS-33-5912087-4	N.A./SSS, Quezon City

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

Doc. No. 70;
Page No. 15;
Book No. 51;
Series of 2018.

ATTY RAYMOND A. RAMOS
COMMISSION NO. M-277
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2018
NO 15 J.P RIZAL EXTN. COR. TANGUILE ST
COMEMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 022957/01-04-2018/Pasig City
PTR NO MKT-6614630, 01-03-2018/MAKATI CITY
MCLE Compliance No. V-0004514/10-31-2014

SEMIRARA MINING AND POWER CORPORATION

SEC FORM 17-A

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **SEMIRARA MINING AND POWER CORPORATION** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intents to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has audited 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 audit.

Signed this 22nd day of February 2018.

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

JUNALINA S. TABOR
Chief Finance Officer

SUBSCRIBED AND SWORN, to before me on this MAR 2 1 2018 day of ________ 2018, at Makati City, Metro Manila, affiants exhibited to me:

Name	Passport No.	Expiry Date/Place Issued
Isidro A. Consunji	EC4977907	August 10, 2020/DFA, Manila
Junalina S. Tabor	EB9486755	October 30, 2018/DFA NCR Central

who has satisfactory proven to me their identities through their valid identification cards bearing their photographs and signatures, and that they are the same persons who personally signed before me the foregoing and acknowledged that they executed the same.

Doc. No. 87 ;
Page No. 18 ;
Book No. 48 ;
Series of 2018.

ATTY RAYMOND A. RAMOS
COMMISSION NO. M-277
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2018
NO. 15 J.P. RIZAL EXTN. COR. TANGUILE ST
COMEMBO, MAKATI CITY
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PTR NO MKT-6614630, 01-03-2018/MAKATI CITY
MCLE Compliance No. V-0004514/10-31-2014

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	9	1	4	4	7

COMPANY NAME

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.semiraramining.com	888-3000 / 888-3955	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
694	First Monday of May	December 31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

BUREAU OF INTERNAL REVENUE
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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

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

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Semirara Mining and Power Corporation
2/F DMCI Plaza
2281 Don Chino Roces Avenue
Makati City

Opinion

We have audited the consolidated financial statements of Semirara Mining and Power Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, 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, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Estimation of Decommissioning and Site Rehabilitation Costs

The Group has recognized provision for decommissioning and site rehabilitation for the open pit mines of its coal mining activities totaling to ₱1,687 million as of December 31, 2017. This matter is important to our audit because the amount involved is material and the estimation of the provision requires the exercise of significant management judgment and estimation, including the use of assumptions, such as the costs of backfilling, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of the rehabilitated area, inflation rate, and discount rate. Relevant information on the provision for decommissioning and site rehabilitation costs are disclosed in Notes 3 and 17 to the consolidated financial statements.

Audit response

We obtained an understanding of management's processes and controls in the estimation of future decommissioning and site rehabilitation costs, which involved the Group's engineers. We performed tests of controls on the management processes and controls. We evaluated the competence, capabilities and objectivity of the engineers and reviewed the latest comprehensive mine rehabilitation plans prepared by the Group's Environmental Department Head. We obtained an understanding from the engineers about their bases for identifying and estimating the costs for various mine rehabilitation and closure activities, such as backfilling, reforestation and maintenance of the rehabilitated area. We compared the cost estimates to billings, invoices and official receipts. We also evaluated the discount and inflation rates used by comparing these to external data.

Estimation of Mineable Ore Reserves

As discussed in Notes 3 and 10 to the consolidated financial statements, the Group's mining properties and stripping activity asset totaling to ₱4,957 million as of December 31, 2017 are amortized using the units-of-production method. Under this method, management is required to estimate the volume of mineable ore reserves for the remaining life of the mine which is a key input to the amortization of mining properties. This matter is significant to our audit because the estimation of the mineable ore reserves for the remaining life of the Group's Narra and Molave mines requires significant estimation from management's specialist.

Audit response

We obtained an understanding of management's processes and controls in the estimation of mineable ore reserves. We performed tests of controls on the management processes and controls. We evaluated the competence, capabilities and objectivity of the external specialist engaged by the Group to perform an independent assessment of the ore reserves. We reviewed the specialist's report and obtained an understanding of the nature, scope and objectives of their work and basis of estimates including any changes in the reserves during the year. We also tested the application of the estimated ore reserves in the amortization of mining properties and stripping activity asset.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20 IS, SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

BUREAU OF INTERNAL REVENUE
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APR 13 2018

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cyril Jasmin B. Valencia.

SYCIP GORRES VELAYO & CO.

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. 08-001998-74-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621337, January 9, 2018, Makati City

February 22, 2018

BUREAU OF INTERNAL REVENUE
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SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 31, 32 and 33)	**₱8,470,908,677**	₱6,993,039,850
Receivables (Notes 5, 20, 31 and 32)	**6,475,048,571**	5,685,581,598
Inventories (Notes 7 and 10)	**5,914,112,470**	5,386,460,570
Investment in joint venture (Note 8)	**50,731,694**	52,385,054
Investment in sinking fund (Notes 11, 15, 31 and 32)	**–**	68,716,379
Other current assets (Notes 6, 9 and 30)	**3,422,844,965**	2,968,146,401
Total Current Assets	**24,333,646,377**	21,154,329,852
Noncurrent Assets		
Property, plant and equipment (Notes 10 and 12)	**43,014,048,021**	43,352,166,628
Deferred tax assets - net (Note 27)	**450,223,386**	519,747,909
Other noncurrent assets (Notes 6, 13, 30, 31 and 32)	**798,487,905**	735,463,043
Total Noncurrent Assets	**44,262,759,312**	44,607,377,580
	₱68,596,405,689	₱65,761,707,432
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 16, 20, 31 and 32)	**₱10,851,312,129**	₱12,220,953,070
Short-term loans (Notes 14, 31 and 32)	**–**	1,600,000,000
Current portion of long-term debt (Notes 15, 31 and 32)	**3,555,960,317**	1,831,583,887
Total Current Liabilities	**14,407,272,446**	15,652,536,957
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 15, 31 and 32)	**14,468,517,855**	13,258,162,966
Provision for decommissioning and site rehabilitation (Note 17)	**1,705,802,078**	1,606,287,759
Pension liabilities (Note 21)	**234,211,910**	114,034,778
Deferred tax liability - net (Note 27)	**54,990,685**	1,230,930
Other noncurrent liabilities (Notes 13 and 20)	**46,231,575**	843,142,793
Total Noncurrent Liabilities	**16,509,754,103**	15,822,859,226
Total Liabilities	**30,917,026,549**	31,475,396,183
Equity		
Capital stock (Notes 18 and 31)	**4,264,609,290**	1,068,750,000
Additional paid-in capital (Notes 18 and 31)	**6,675,527,411**	6,675,527,411
Retained earnings (Notes 19 and 31):		
Unappropriated	**18,013,400,740**	19,152,984,511
Appropriated	**9,300,000,000**	7,800,000,000
Remeasurement losses on pension plan (Notes 21 and 31)	**(86,238,763)**	(23,403,645)
Treasury shares (Notes 18 and 31)	**(487,919,538)**	(387,547,028)
Total Equity	**37,679,379,140**	34,286,311,249
	₱68,596,405,689	₱65,761,707,432

See accompanying Notes to Consolidated Financial Statements.

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2017	2016	2015
REVENUE (Note 34)			
Coal	**₱23,489,590,552**	₱20,079,462,056	₱11,781,825,168
Power	**20,453,898,667**	16,504,913,084	12,898,346,411
	43,943,489,219	36,584,375,140	24,680,171,579
COSTS OF SALES (Notes 22 and 34)			
Coal	**11,910,436,213**	11,013,499,805	6,387,819,465
Power	**8,423,045,908**	7,687,521,521	4,154,272,904
	20,333,482,121	18,701,021,326	10,542,092,369
GROSS PROFIT	**23,610,007,098**	17,883,353,814	14,138,079,210
OPERATING EXPENSES (Notes 23 and 34)	**(8,207,029,328)**	(4,998,866,240)	(4,389,084,485)
INCOME FROM OPERATIONS	**15,402,977,770**	12,884,487,574	9,748,994,725
OTHER INCOME (CHARGES) - Net			
Finance income (Notes 25 and 34)	**96,396,798**	83,238,696	57,563,749
Finance costs (Notes 24 and 34)	**(718,068,456)**	(598,992,706)	(278,187,914)
Foreign exchange losses - net (Note 34)	**(392,452,957)**	(403,425,989)	(300,056,178)
Other income - net (Notes 26 and 34)	**1,075,615,087**	938,441,998	440,678,630
	61,490,472	19,261,999	(80,001,713)
INCOME BEFORE INCOME TAX	**15,464,468,242**	12,903,749,573	9,668,993,012
PROVISION FOR INCOME TAX (Notes 27 and 34)	**1,255,328,423**	863,079,585	1,182,083,931
NET INCOME	**14,209,139,819**	12,040,669,988	8,486,909,081
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on pension plan (Note 21)	**(89,764,454)**	10,151,614	(24,340,625)
Income tax effect	**26,929,336**	(3,045,484)	7,302,187
	(62,835,118)	7,106,130	(17,038,438)
TOTAL COMPREHENSIVE INCOME	**₱14,146,304,701**	₱12,047,776,118	₱8,469,870,643
Basic/Diluted Earnings per Share (Note 28)	**₱3.33**	₱2.82	₱1.99

See accompanying Notes to Consolidated Financial Statements.

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 18)	Additional Paid in Capital (Note 18)	Retained Earnings Unappropriated (Note 19)	Retained Earnings Appropriated (Note 19)	Remeasurement Losses on Pension Plan (Note 21)	Treasury Shares (Note 18)	Total
				For the Year Ended December 31, 2017			
Balances as of January 1, 2017	**₱1,068,750,000**	**₱6,675,527,411**	**₱19,152,984,511**	**₱7,800,000,000**	**(₱23,403,645)**	**(₱387,547,028)**	**₱34,286,311,249**
Acquisition of treasury shares	–	–	–	–	–	**(100,372,510)**	**(100,372,510)**
Comprehensive income							
Net income	–	–	**14,209,139,819**	–	–	–	**14,209,139,819**
Other comprehensive income	–	–	–	–	**(62,835,118)**	–	**(62,835,118)**
Total comprehensive income	–	–	**14,209,139,819**	–	**(62,835,118)**	–	**14,146,304,701**
Stock dividends declared	**3,195,859,290**	–	**(3,195,859,290)**	–	–	–	–
Cash dividends declared	–	–	**(10,652,864,300)**	–	–	–	**(10,652,864,300)**
Reversal of appropriations	–	–	**3,000,000,000**	**(3,000,000,000)**	–	–	–
Appropriations	–	–	**(4,500,000,000)**	**4,500,000,000**	–	–	–
Balances as of December 31, 2017	**₱4,264,609,290**	**₱6,675,527,411**	**₱18,013,400,740**	**₱9,300,000,000**	**(₱86,238,763)**	**(₱487,919,538)**	**₱37,679,379,140**
				For the Year Ended December 31, 2016			
Balances as of January 1, 2016	₱1,068,750,000	₱6,675,527,411	₱13,887,314,523	₱5,300,000,000	(₱30,509,775)	₱–	₱26,901,082,159
Acquisition of treasury shares	–	–	–	–	–	(387,547,028)	(387,547,028)
Comprehensive income							
Net income	–	–	12,040,669,988	–	–	–	12,040,669,988
Other comprehensive income	–	–	–	–	7,106,130	–	7,106,130
Total comprehensive income	–	–	12,040,669,988	–	7,106,130	–	12,047,776,118
Cash dividends declared	–	–	(4,275,000,000)	–	–	–	(4,275,000,000)
Appropriations	–	–	(2,500,000,000)	2,500,000,000	–	–	–
Balances as of December 31, 2016	₱1,068,750,000	₱6,675,527,411	₱19,152,984,511	₱7,800,000,000	(₱23,403,645)	(₱387,547,028)	₱34,286,311,249
				For the Year Ended December 31, 2015			
Balances as of January 1, 2015	₱1,068,750,000	₱6,675,527,411	₱12,675,405,442	₱2,300,000,000	(₱13,471,337)	₱–	₱22,706,211,516
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	₱1,068,750,000	₱6,675,527,411	₱13,887,314,523	₱5,300,000,000	(₱30,509,775)	₱–	₱26,901,082,159

See accompanying Notes to Consolidated Financial Statements.

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱15,464,468,242**	₱12,903,749,573	₱9,668,993,012
Adjustments for:			
Depreciation and amortization (Notes 10, 13, 22 and 23)	**6,570,624,945**	3,680,181,127	1,742,035,951
Finance costs (Note 24)	**718,068,456**	598,992,706	278,187,914
Pension expense (Note 21)	**51,148,930**	45,927,827	19,392,265
Provision for doubtful accounts (Notes 5 and 23)	**151,885**	149,533,034	925,151,744
Equity in net loss of a joint venture	**1,653,360**	–	–
Loss (gain) on sale of equipment (Notes 10 and 26)	**(126,227,184)**	174,667	(76,461,975)
Finance income (Note 25)	**(96,396,798)**	(83,238,696)	(57,563,749)
Net unrealized foreign exchange losses (gain)	**(52,477,164)**	(47,305,303)	331,743,560
Provision for allowance for inventory obsolescence (Note 23)	**–**	1,239,090	20,902,458
Loss on disposal and write-down of property, plant and equipment (Notes 10 and 23)	**–**	–	16,087,500
Reversal of impairment losses (Note 26)	**–**	–	(10,683,653)
Operating income before changes in operating assets and liabilities	**22,531,014,672**	17,249,254,025	12,857,785,027
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**(789,618,858)**	(3,054,344,271)	421,890,473
Other current assets	**(629,458,125)**	(258,648,262)	(427,040,042)
Inventories	**(129,404,465)**	(847,783,647)	(1,499,056,144)
Increase (decrease) in trade and other payables	**(943,267,084)**	4,744,643,151	386,149,582
Cash generated from operations	**20,039,266,140**	17,833,120,996	11,739,728,896
Interest received	**96,396,798**	83,238,696	57,472,448
Income taxes paid	**(1,303,057,213)**	(790,821,132)	(842,987,927)
Interest paid	**(604,901,388)**	(696,337,575)	(264,564,378)
Pension settlement (Note 21)	**(20,736,252)**	(8,724,213)	(5,780,005)
Net cash provided by operating activities	**18,206,968,085**	16,420,476,772	10,683,869,034
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (including borrowing cost) (Notes 10 and 33)	**(6,314,128,690)**	(5,302,606,832)	(4,467,465,139)
Exploration and evaluation asset (Notes 10 and 12)	**–**	(1,932,281,360)	(566,470,643)
Investment in joint venture (Note 8)	**–**	(52,385,054)	–
Computer software (Note 13)	**(9,948,827)**	(7,220,424)	(2,803,293)
Proceeds from sale of equipment (Note 10)	**126,227,184**	3,000,000	76,461,975
Decrease (increase) in:			–
Investment in sinking fund (Note 11)	**68,716,379**	391,517,638	61,546,856
Other noncurrent assets (Note 13)	**(58,366,748)**	1,039,651,801	(223,135,347)
Increase (decrease) in other noncurrent liabilities (Note 13)	**(1,094,351,764)**	(829,158,729)	6,237,623
Net cash used in investing activities	**(7,281,852,466)**	(6,689,482,960)	(5,115,627,968)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans (Notes 14, 15 and 33)	**6,535,000,000**	10,823,782,102	9,884,196,533
Acquisition of treasury shares (Notes 18 and 33)	**(100,372,510)**	(387,547,028)	–
Payments of:			
Loans (Notes 14, 15 and 33)	**(5,223,502,036)**	(13,478,092,863)	(10,076,979,391)
Dividends (Notes 19 and 33)	**(10,651,501,099)**	(4,275,000,000)	(4,275,000,000)
Net cash used in financing activities	**(9,440,375,645)**	(7,316,857,789)	(4,467,782,858)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(6,871,147)**	(166,704,552)	(37,975,373)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,477,868,827**	2,247,431,471	1,062,482,835
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**6,993,039,850**	4,745,608,379	3,683,125,544
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱8,470,908,677**	₱6,993,039,850	₱4,745,608,379

See accompanying 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 with a corporate life of 50 years from and after the date of incorporation. The Parent Company's registered and principal office address is at 2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City. The Parent Company's shares of stock are listed and currently traded at the Philippine Stock Exchange (PSE). The Parent Company is 56.54% owned 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 consolidated financial statements as of December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 were authorized for issue by the Executive Committee of the Board of Directors (BOD) on February 22, 2018.

2. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss that have been measured at fair value. The consolidated financial statements are prepared in Philippine Peso (₱), which is also the Parent Company's functional currency. All amounts are rounded off the nearest peso, except when otherwise indicated.

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2017 and 2016, and for each of the three years in the period ended December 31, 2017.

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

Generally, there is a presumption that a majority of voting rights results in control. To support the presumption and 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 the 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 related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any result in gain or loss is recognized in profit or loss. Any investment retained is measured at fair value.

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		
	2017	2016	2015
Subsidiaries			
Sem-Calaca Power Corporation (SCPC)	**100.00%**	100.00%	100.00%
Sem-Calaca RES Corporation (SCRC)*	**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
Southeast Luzon Power Generation Corporation (SELPGC)	**100.00**	100.00	100.00
St. Raphael Power Generation Corporation (SRPGC)	–	–	100.00

**Wholly owned subsidiary of SCPC*

Except for SCPC and SLPGC, the Parent Company's subsidiaries have not yet started commercial operations as of December 31, 2017.

Southeast Luzon Power Generation Corporation (SELPGC) was formerly named as SEM-Balayan Power Generation Corporation (SBPGC).

In 2016, SRPGC became a joint venture when Meralco PowerGen Corporation (MGen) subscribed to the remaining unissued capital stock of SRPGC (see Note 8).

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 Group elects whether to measure the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction 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. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Philippine Accounting Standards (PAS) 39, *Financial Instrument - Recognition and Measurement,* is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with PAS 39. Other contingent consideration that is not within the scope of PAS 39 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After 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 that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation 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, 2017.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  The adoption of these amendments did not have any impact on the Group's consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The Group has provided the required information in Note 33 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the years ended December 31, 2016 and 2015.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  The adoption of this amendment has no effect on the Group's financial position and performance.

Standards Issued But Not Yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The Group has assessed that the adoption of these amendments will not have impact to its consolidated financial statements because it does not have share-based payment arrangements.

- PFRS 9, *Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement,* and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Group plans to adopt the new standard on the mandatory effective date.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption is expected to impact the assessment of the Group's credit losses amount.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method.

  The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. The Group made a preliminary assessment of the potential impact of PFRS 15 and has concluded that it has no material impact to the Group given that the accounting for the identified performance obligations and the related transaction prices, as well as manner and method of revenue recognition in its existing accounting policy is already consistent with PFRS 15.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising

from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Group is currently assessing the impact of the adoption of the interpretation in its consolidated financial statements.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Group expects the standard to impact its operating lease arrangements for land, building and mining equipment which will require recognition of right of use asset and its related liability in the consolidated financial statements. The Group does not expect significant impact of the standard to its arrangement as lessor.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Significant Accounting Policies and Disclosures

Cash and Cash Equivalents
Cash and cash equivalents in the 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 consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial Assets and Financial Liabilities

Date of recognition

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

Initial recognition of financial instruments

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss (FVPL). Financial assets in the scope of PAS 39, *Financial Instruments: Recognition and Measurement,* 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, 2017 and 2016, the Group's financial assets and financial liabilities are of the nature of loans and receivables, financial assets at FVPL, 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 financial assets at fair value at through profit or loss, loans and receivables are derecognized or impaired as well as through amortization process.

Financial assets at FVPL
Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. The Group has not designated any financial assets at FVPL. Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as 'Net gain on financial assets at FVPL' under 'Other income' in the consolidated statement of comprehensive income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Financial assets at FVPL relates to derivatives arising from contracts for differences entered with a third party as disclosed in Note 6 to consolidated financial statements and is included under 'Other current and noncurrent assets' in the consolidated statement of financial position.

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, trade and other payables (except for output VAT payable), short-term loans and long-term debts are subsequently measured at amortized cost using the EIR method. Gains or losses are recognized in consolidated statement of comprehensive income when liabilities are derecognized, as well as through the amortization process. Any effects of restatement of foreign currency-denominated liabilities are recognized under the 'Foreign exchange losses (gains)' in consolidated statement of comprehensive income.

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.

Fair Value Measurement
The Group measures financial assets at FVPL at fair value and 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.

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events

that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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

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

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

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

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

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

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

Derecognition of Financial Instruments

Financial assets

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

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

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

Financial liabilities

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

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right to offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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, mining tools and other equipment' 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, mining tools and other equipment'.

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 the units-of-production method over the mine life. The capitalization of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

After the commencement of production further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The costs of such stripping are accounted for in the same way as development stripping (as discussed above). Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the coal body to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realized in the form of improved access to ore to be mined in the future, the costs are recognized as a noncurrent asset, referred to as a stripping activity asset, if the following criteria are met:

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

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

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

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

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is included as part of 'Mine properties, mining tools and mining equipment' under '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 amortization and any impairment losses.

Mineable Ore Reserves

Mineable ore 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 mineable ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and require complex geological judgments to interpret the data. The estimate on the mineable ore reserve are determined based on the information obtained from activities such as drilling, core logging or geophysical logging, coal sampling, sample database encoding, coal seam correlation and geological modelling. The Group will then estimate the recoverable reserves based upon factors such as estimates of commodity prices, future capital requirements, foreign currency exchange rates, 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 amortization of mine properties included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment'.

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 units-of-production basis over the economically mineable reserves of the mine concerned. Mine properties are included as part of 'Mine 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 or over the remaining life of the mine, whichever is shorter, as follows:

	Years
Mining tools and other equipment	2 to 3
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.

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

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

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

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

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

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

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

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

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.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Investment in Joint Venture
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. The Group's investment joint venture is accounted for using the equity method.

Under the equity method, the investment in joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized and is not tested for impairment individually.

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.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that its nonfinancial assets (investment in joint venture, intangible asset, input VAT, exploration and evaluation asset and property, plant and equipment) 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.

Investment in joint venture

The Group determines at each reporting date whether there is any objective evidence that the investments in joint venture is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount (i. e. higher between fair value less cost to sell and value in use) and the carrying value of the investee company and recognizes the difference in the consolidated statement of comprehensive income.

Property, plant and equipment

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

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

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

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 significant revenue arrangements since it is the primary obligor in these 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 are 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). Revenue is recognized based on the actual excess generation delivered to the WESM.

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

Other income
Other income is recognized when receipts of economic benefits are virtually certain and comes in the form of inflows or enhancements of assets or decreases of liabilities that results in increases in equity, other than from those relating to contributions from equity participants.

<u>Cost of Sales</u>
Cost of coal
Cost of coal includes directly related production costs such as materials and supplies, fuel and lubricants, outside services, depreciation and amortization, provision for decommissioning and site rehabilitation, direct labor and other related production overhead. 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, coal handling expenses, bunker, lube, diesel, depreciation and other related production overhead costs. Cost of power are recognized at the time the related coal, bunker, lube and diesel 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.

<u>Operating Expenses</u>
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.

<u>Borrowing Costs</u>
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.

<u>Pension Cost</u>
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.

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 income tax
Current income tax assets and liabilities 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 the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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 recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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 taxes relate to the same taxable entity and the same taxation authority.

Provisions

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

Provision for decommissioning and site rehabilitation

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes closure of plants, dismantling and removing of structures, backfilling, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of rehabilitated area.

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 and restoration of power plant sites. 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 'Outside services' under 'Cost of coal sales' in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Foreign Currency - denominated Transactions and Translation
The consolidated 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.

Treasury Shares
Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any

difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued, and to retained earnings for the remaining balance.

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 34 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 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 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. *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.

   In 2016, the Group has assessed that it has completed all the activities necessary to commence commercial operations, including the appropriate regulatory approvals, for the Narra and Molave minesites and has reclassified all the exploration and evaluation expenditure to 'Property, plant and equipment' (see Notes 10 and 12).

b. *Determination of components of ore bodies and allocation measures for stripping cost allocation*
The Group has identified that each of its two active mine pits, Narra and Molave, is a whole separate ore component and cannot be further subdivided into smaller components due to the nature of the coal seam orientation and mine plan.

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 (i.e., stripping ratio) is the most suitable production measure. The Group recognizes stripping activity asset by comparing the actual stripping ratio during the year for each component and the component's mine life stripping ratio.

c. *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 believes that these proceedings will not 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 30).

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. *Estimating mineable ore reserves*
The Group uses the mineable ore reserve in the determination of the amount of amortization of mine properties using units-of-production method. The Group estimates its mineable ore reserves by using estimates provided by the Group's professionally qualified internal mining engineers and geologist. These estimates on the mineable ore resource and reserves are determined based on the information obtained from activities such as drilling, core logging or geophysical logging, coal sampling, sample database encoding, coal seam correlation and geological modelling.

The carrying values of mine properties included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment' amounted to ₱4,957.33 million and ₱5,183.44 million as of December 31, 2017 and 2016, respectively (see Note 10).

b. *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.

c. *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 collectability 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 ₱0.15 million and ₱140.42 million in 2017 and 2016, respectively.

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

d. *Estimating stock pile inventory quantities*
The Group estimates the coal 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. 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 cost of sales for the year.

The amount of coal pile inventory is disclosed in Note 7.

e. *Estimating allowance for obsolescence in spare parts and supplies*
The Group provides 100% allowance for obsolescence on items that are specifically identified as obsolete. The amount 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 7.

f. *Estimating recoverability of capitalized development costs*
Initial capitalization of costs is based on management's judgment that technological and economic 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.

In 2017, the Group impaired its capitalized development cost for clay business amounting to ₱156.07 million since management assessed that the feasibility of putting the clay production into commercial scale is not feasible (see Note 13). The impairment loss is recorded under 'Operating expenses' in the consolidated statements of comprehensive income (see Note 23).

g. *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 end 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 given the approved decommissioning and site rehabilitation plan, 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 17.

h. *Estimating useful lives of property, plant and equipment (except land)*
The Group estimated the useful lives of its property, plant and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property, plant and equipment based on factors that include asset utilization, internal technical evaluation, and technological changes, environmental and anticipated use of the assets.

In 2017, the BOD approved the rehabilitation of the Group's Units 1 and 2 coal-fired thermal power plant. This resulted to the scheduled replacement of the significant components of the power plant over the next three years which resulted to the accelerated recognition of depreciation expense of ₱840.08 million during the year. The Group did not expect any salvage values for the parts to be replaced.

It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

The carrying values and movements in property, plant and equipment are disclosed in Note 10.

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.

Total deductible temporary differences and NOLCO for which deferred tax assets are not recognized are disclosed in Note 27.

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 21 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.

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 management's assumption aligned with the future inflation rates.

k. *Fair value measurement of financial instruments*
When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, fair value is measured using valuation techniques using the market data approach (i.e., Monte Carlo simulation). The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. The assumptions for the fair valuation of derivatives are disclosed in Note 6.

4. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand and in banks	**₱2,509,307,762**	₱2,586,289,267
Cash equivalents	**5,961,600,915**	4,406,750,583
	₱8,470,908,677	₱6,993,039,850

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents include short-term placements made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective prevailing short-term placement rates ranging from 1.10% to 4.10% and 0.25% to 2.50% in 2017 and 2016, respectively.

In 2017, 2016 and 2015, total interest income earned from cash and cash equivalents amounted to ₱95.32 million, ₱78.49 million and ₱47.89 million, respectively (see Note 25).

5. Receivables

This account consists of:

	2017	2016
Trade receivables - outside parties	**₱7,661,303,437**	₱7,021,032,378
Trade receivables - related parties (Note 20)	**241,052,373**	76,578,145
Others	**117,616,237**	132,742,665
	8,019,972,047	7,230,353,188
Less allowance for doubtful accounts	**1,544,923,476**	1,544,771,590
	₱6,475,048,571	₱5,685,581,598

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 ₱674.00 million as of December 31, 2017 and 2016. 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 days credit terms. These receivables arise from export sales for coal sold to international market which are priced in US Dollar and local sales for coal sold to domestic market which are priced in Philippine Peso.

As of December 31, 2017, trade receivables from outside parties also include claims from Power Sector Assets and Liabilities Management (PSALM) and National Power Corporation (NPC) for the recovery of amounts charged and withheld by PSALM for spot purchases of the Group in connection with NPC's over nomination of bilateral contracted capacity to a distribution utility company for the period January to June 2010. The claim was recognized by the Group as income after the Supreme Court has issued an Entry of Judgement in favor of the Group (see Notes 26 and 30).

Trade receivables - related parties
Receivables from related parties are noninterest-bearing and collectible over a period of one year. These are generally settled in cash.

Others
Others include advances to officers, employees and receivables from sale of fly ashes. These are generally non-interest bearing. Advances to officers and employees are recovered through salary deduction and receivables from sale of fly ash is generally settled within the 30 to 45 days credit terms.

Movements in the allowance for doubtful accounts are as follows:

	2017		
	Trade receivables - outside parties	**Others**	**Total**
At January 1	**₱1,538,956,231**	**₱5,815,359**	**₱1,544,771,590**
Provision (Note 23)	**151,886**	–	**151,886**
At December 31	**₱1,539,108,117**	**₱5,815,359**	**₱1,544,923,476**

	2016		
	Trade receivables - outside parties	Others	Total
At January 1	₱1,422,325,627	₱5,815,359	₱1,428,140,986
Provision (Note 23)	140,417,501	–	140,417,501
Reversal	(23,786,897)	–	(23,786,897)
At December 31	₱1,538,956,231	₱5,815,359	₱1,544,771,590

In 2016, the Group has directly written off trade receivables amounting to ₱32.90 million which is also included in 'Provision for doubtful accounts' (see Note 23).

6. Financial Assets at Fair Value through Profit or Loss

In February 2017, the Group entered into a five-year option agreement (until December 2021) with a retail electricity supplier (RES) with respect to its exposure to the Wholesale Electricity Spot Market (WESM) which does not constitute the supply of power by the Group to the RES. The option agreement stipulates the rights and obligations of the Group which includes the right to receive a fixed 'Exposure Guarantee Fee' and the obligation to pay a variable 'Exposure Adjustment' depending on the behavior of the electricity spot price in the WESM against the agreed 'Strike Price', adjusted by the various indices and rates, as determined on a monthly basis. The derivative is not designated as a hedging instrument against the Group's exposure in the WESM.

Significant inputs to the valuation includes WESM prices ranging from ₱2.67 to ₱3.58 per kilowatt hour (KWH), foreign currency exchange rates of Philippine peso to US dollar ranging from ₱43.28 to ₱51.80 consumer price and coal price index based on a four - year historical data and discount rate using Philippine Dealing System Treasury Reference Rate (PDST - R2) as of reporting date. The fair value of the derivative was determined using the market data approach, Monte Carlo simulation valuation which is categorized within level 3 of the fair value hierarchy. As of December 31, 2017, the Group recognized derivative asset amounting to ₱219.67 million under separately classified under 'Other current and noncurrent assets' (see Notes 9 and 13) and recorded realized and unrealized gain on financial contract amounting to ₱36.60 million and ₱219.67 million, respectively, under 'Other income' for the year ended December 31, 2017 (see Note 26).

7. Inventories

This account consists of:

	2017	2016
Spare parts and supplies - at NRV	**₱4,590,347,389**	₱3,564,480,064
Coal pile inventory - at cost	**1,323,765,081**	1,821,980,506
	₱5,914,112,470	₱5,386,460,570

Coal pile inventory are stated at cost, which is lower than NRV. The cost of coal inventories recognized as 'Cost of coal sales' in the consolidated statements of comprehensive income amounted to ₱11,746.47 million, ₱10,564.12 million and ₱6,184.99 million in 2017, 2016 and 2015, respectively (see Note 22).

Coal pile inventory at cost includes capitalized depreciation of ₱273.41 million, ₱157.31 million and ₱112.12 million in 2017, 2016 and 2015, respectively (see Note 10).

8. Investment in Joint Venture

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

SRPGC has authorized capital stock of ₱50.00 million divided into 50.00 million shares with a par value of ₱1.00 per share, to which the Parent Company has subscribed 12.50 million shares of the authorized capital stock and paid ₱3.12 million of said subscription. On October 11, 2016, SRPGC increased its authorized capital stock from 50.00 million shares with a par value of ₱1.00 per share to 1,100.00 million shares with a par value of ₱1.00 per share.

On April 27, 2016, MGen, a wholly owned subsidiary of Manila Electric Company (MERALCO), entered into a Joint Venture Agreement (JVA) with the Parent Company. The joint arrangement was structured through a separate legal entity, SRPGC, an incorporated entity with the purpose of constructing, owning and operating a 2x350 MW sub-critical boiler power plant project and marketing the power output of the power plant. MGen obtained 50% ownership interest on SRPGC through subscription of the remaining unissued capital stock of SRPGC. This resulted to the Parent Company's loss of control on SRPGC. The management assessed that SRPGC is jointly controlled by the Parent Company and MGen and accounted SRPGC as a joint venture as each holds a 50% ownership interest in SRPGC which clearly demonstrates joint control over SRPGC and the equal representation of Parent Company and MGen in SRPGC's BOD further signifies that there should be a unanimous consent between the two parties in order for significant activities to be undertaken by SRPGC.

On April 28, 2016, the Parent Company paid the remaining ₱9.38 million of the previously subscribed 12.50 million shares of stock with a par value of ₱1.00 per share.

On May 27, 2016, the Parent Company paid a total of ₱46.00 million as additional investment in SRPGC.

As of December 31, 2017, SRPGC has not yet started commercial operations.

9. Other Current Assets

This account consists of:

	2017	2016
Advances to suppliers (Note 20)	**₱1,711,614,715**	₱819,358,241
Input VAT	**1,059,342,697**	1,635,147,559
Creditable withholding tax	**532,950,076**	434,767,144
Financial assets at FVPL (Note 6)	**82,163,633**	–
Prepaid insurance	**8,440,713**	37,414,993
Prepaid rent (Notes 13 and 30)	**7,499,183**	7,553,004
Others	**20,833,948**	33,905,460
	₱3,422,844,965	₱2,968,146,401

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 monthly billings and portion are applied 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. Non-current portion of input VAT is included in 'Other noncurrent assets' (see Note 13).

Financial asset at FVPL
Financial asset at FVPL pertain to an option agreement entered into by the Group during the year classified as derivative that is not designated as a hedging instrument (see Note 6).

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 real property taxes and other charges.

10. Property, Plant and Equipment

The rollforward of this account follows:

	2017					
	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	₱376,811,469	₱26,313,579,059	₱42,400,863,709	₱827,359,725	₱1,746,116,926	₱71,664,730,888
Additions (Note 17)	10,073,321	4,121,856,367	875,222,863	–	1,333,737,177	6,340,889,728
Reclassifications	–	58,796,207	854,808,908	–	(913,605,115)	–
Disposals (Note 26)	–	(3,607,042,476)	(3,499,538,816)	(1,933,675)	–	(7,108,514,967)
Adjustment (Note 17)	–	159,731,132	–	–	–	159,731,132
At December 31	386,884,790	27,046,920,289	40,631,356,664	825,426,050	2,166,248,988	71,056,836,781
Accumulated Depreciation						
At January 1	–	17,918,051,090	9,930,318,066	464,195,104	–	28,312,564,260
Depreciation and amortization (Notes 3, 7, 22 and 23)	–	3,564,723,545	3,219,186,209	54,829,713	–	6,838,739,467
Disposals (Notes 26)	–	(3,607,042,476)	(3,499,538,816)	(1,933,675)	–	(7,108,514,967)
At December 31	–	17,875,732,159	9,649,965,459	517,091,142	–	28,042,788,760
Net Book Value	₱386,884,790	₱9,171,188,130	₱30,981,391,205	₱308,334,908	₱2,166,248,988	₱43,014,048,021

	2016					
	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	₱376,811,469	₱18,277,631,300	₱22,343,024,066	₱827,359,725	₱19,302,295,902	₱61,127,122,462
Additions (Note 17)	–	3,048,827,993	263,418,735	–	2,854,023,863	6,166,270,591
Reclassifications (Note 12)	–	5,009,565,376	20,176,641,568	–	(20,238,460,625)	4,947,746,319
Disposals (Notes 23 and 26)	–	(13,675,439)	(382,220,660)	–	–	(395,896,099)
Adjustment (Note 17)	–	(8,770,171)	–	–	(171,742,214)	(180,512,385)
At December 31	376,811,469	26,313,579,059	42,400,863,709	827,359,725	1,746,116,926	71,664,730,888
Accumulated Depreciation						
At January 1	–	15,968,478,768	8,006,621,961	409,365,390	–	24,384,466,119
Depreciation and amortization (Notes 3, 7, 22 and 23)	–	1,960,073,095	2,305,916,765	54,829,714	–	4,320,819,574
Disposals (Notes 23 and 26)	–	(10,500,773)	(382,220,660)	–	–	(392,721,433)
At December 31	–	17,918,051,090	9,930,318,066	464,195,104	–	28,312,564,260
Net Book Value	₱376,811,469	₱8,395,527,969	₱32,470,545,643	₱363,164,621	₱1,746,116,926	₱43,352,166,628

'Mine properties, mining tools and other equipment' include the expected cost of decommissioning and site rehabilitation of minesites and future clean-up of its power plants. The impact of annual re-estimation is shown in the rollforward as an adjustment (see Note 17).

'Mine properties, mining tools and other equipment' also includes the stripping activity asset. In 2016, the amount of ₱4,947.75 million was reclassified from exploration and evaluation assets due to completion of development phase of Narra and Molave mines (see Note 12).

As of December 31, 2017 and 2016, mine properties included in 'Mine properties, mining tools and other equipment' amounted to ₱4,957.23 million and ₱5,183.44 million, respectively.

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, 2017 and 2016.

In 2016, there is a reclassification from construction in progress to power plant and building in the amount of ₱20,176.64 million for the completion of construction of 2x150MW coal-fired thermal power plant of SLPGC which started commercial operations on April 1, 2016; 1x15MW power plant of the Parent Company which started commercial operations in August 2016 and rehabilitation of Unit 2 power plant of SCPC from November 2015 to April 2016.

In 2017, there were reclassifications from construction in progress to power plant and building in the amount of ₱854.81 million for the ongoing regular rehabilitation of the Group's coal-fired thermal power plant.

The capitalized borrowing cost included in the construction in progress account amounted to ₱112.94 million in 2016 with the average capitalization rate at 4.00% in 2016 (see Note 15). There was no capitalization of borrowing cost in 2017 since the 2x150MW coal-fired thermal power plant of SLPGC already started commercial operation. In 2017, 2016 and 2015, the Group sold various equipment at a gain (loss) amounting to ₱126.23 million, (₱0.17) million and ₱76.46 million, respectively (see Note 26).

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 nil in 2017 and 2016 and ₱16.09 million in 2015 (see Note 23).

The cost of fully depreciated assets that are still in use amounted to ₱10,911.15 million and ₱12,906.73 million as of December 31, 2017 and 2016, respectively.

As security for timely payment, discharge, observance and performance of the loan provisions, SCPC and SLPGC created, established, and constituted 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 and SLPGC. On August 24, 2016, February 24, 2017 and April 12, 2017, Bank of Philippine Islands (BPI), Banco de Oro Unibank, Inc. (BDO) and Philippine National Bank (PNB), respectively, approved SCPC's release of all security arrangements. The carrying values of these mortgaged assets (SLPGC in 2017, SCPC and SLPGC in 2016) amounted to ₱17,983.44 million and ₱33,131.66 million as of December 31, 2017 and 2016, respectively.

Depreciation and amortization follow:

	2017	2016	2015
Included under:			
Inventories (Note 7)	**₱273,405,238**	₱157,309,090	₱112,122,124
Mine properties, mining tools and other equipment	**–**	486,097,525	382,953,462
Cost of coal sales (Note 22):			
Depreciation and amortization	**2,775,248,241**	1,157,006,529	519,842,448
Hauling and shiploading costs	**57,125,284**	26,830,788	32,253,172
Cost of power sales (Note 22):			
Cost of coal			
Depreciation and amortization	**672,061,538**	268,925,354	291,951,404
Depreciation	**2,164,203,384**	2,170,627,728	1,006,345,938
Operating expenses (Note 23)	**901,986,496**	56,790,728	43,246,105
	₱6,844,030,181	₱4,323,587,742	₱2,388,714,653
Depreciation and amortization of:			
Property, plant and equipment	**₱6,838,739,467**	₱4,320,819,574	₱2,386,461,836
Computer software (Note 13)	**5,290,714**	2,768,168	2,252,917
	₱6,844,030,181	₱4,323,587,742	₱2,388,714,753

Depreciation and amortization included in the 'Mine properties, mining tools and other equipment' pertains to the depreciation and amortization capitalized during the development stage of Narra and Molave minesites which were eventually reclassified to 'Property, plant and equipment' after completion of development stage and start of commercial operations.

Depreciation and amortization of 'Property, plant and equipment' includes amortization of stripping activity asset of ₱7.86 million, ₱22.68 million and nil in 2017, 2016 and 2015 respectively.

11. Investment in Sinking Fund

In a special meeting of the BOD of SCPC held on March 9, 2010, the BOD authorized SCPC to establish, maintain, and operate trust and investment management accounts with BDO Unibank, Inc. - Trust and Investment Group. The Omnibus Agreement (see Note 15) 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 to nil and ₱68.72 million as of December 31, 2017 and 2016, respectively. Such security agreement was released in 2017 as discussed in Note 15.

Interest from sinking fund amounted to ₱0.69 million, ₱4.31 million and ₱8.99 million in 2017, 2016 and 2015, respectively (see Note 25).

12. Exploration and Evaluation Asset

The rollforward of this account for the year ended December 31, 2016 follows:

At January 1, 2016	₱3,015,464,959
Addition	1,932,281,360
Transfer to property, plant and equipment (Note 10)	(4,947,746,319)
At December 31, 2016	₱–

These costs are related to exploratory drilling and activities in Narra and Molave minesites which have started the development phase in 2013 and 2016, respectively. Both minesites have started commercial operation on the last quarter of the year after the full depletion of Panian minesite in September 2016. The end of the development phase of the Narra and Molave minesite resulted to the reclassification of capitalized cost to 'Mine properties, mining tools and other equipment' which is included in 'Property, plant and equipment' (see Note 10).

13. Other Noncurrent Assets and Other Noncurrent Liabilities

Other Noncurrent Assets
This account consist of:

	2017	2016
Input VAT - net of current portion	**₱383,945,378**	₱306,323,998
Financial asset at FVPL (Note 6)	**219,668,003**	–
Claims for refunds and tax credits - net	**175,208,925**	175,208,925
Prepaid rent (Note 30)	**75,645,101**	80,869,301
Computer software - net	**13,886,622**	9,228,509
Environmental guarantee fund (Notes 31 and 32)	**3,520,000**	3,520,000
Capitalized development costs for clay business - net	**–**	156,068,623
Others	**13,245,944**	8,765,942
	885,119,973	739,985,298
Less current portion of :		
Financial asset at FVPL (Note 6)	**82,163,633**	–
Prepaid rent (Note 9)	**4,468,435**	4,522,255
	₱798,487,905	₱735,463,043

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 includes deferred input VAT, which is 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. The balance as of December 31, 2017 and 2016 is presented net of allowance for impairment losses amounting to ₱15.29 million.

Capitalized development costs for clay business
Development costs for goods, commodities, wares and merchandise including pottery earthenware, stoneware, bricks, tiles, roofs and other merchandise produce from clay are recognized as an intangible asset. Development activities are not yet completed as of December 31, 2017.

In 2017, the Group recognized impairment loss amounting to ₱156.07 million due to the management's assessment that the inflow of future economic benefit from the asset is no longer probable given the current circumstances wherein the production activities are not yet in commercial capacity (see Note 23).

Prepaid rent
Prepaid rent under other noncurrent assets pertain to the long-term portion of rent of SCPC to PSALM starting December 2, 2009 for the 25 years lease of land. Long-term portion of the prepaid rent amounted to ₱71.23 million and ₱76.35 million in 2017 and 2016, respectively (see Note 30).

Computer software
Movements in computer software account follow:

	2017	2016
At Cost		
At January 1	**₱43,126,803**	₱35,906,383
Additions	**9,948,827**	7,220,420
At December 31	**53,075,630**	43,126,803
Accumulated Amortization		
At January 1	**33,898,294**	31,130,126
Amortization (Note 10)	**5,290,714**	2,768,168
At December 31	**39,189,008**	33,898,294
Net Book Value	**₱13,886,622**	₱9,228,509

Environmental guarantee fund
Environmental guarantee fund represents the funds designated to cover all costs attendant to the operation of the Multi-partite Monitoring Team of the Group's environmental unit.

Others
Others include various types of deposits and prepaid taxes which are recoverable over more than one year.

Other Noncurrent Liabilities
Other noncurrent liabilities pertain to the non-current portion of retention contract payment that is being withheld from the contractors as guaranty for any claims against them. As of December 31, 2017 and 2016, retention payable amounted to ₱46.23 million and ₱843.14 million, respectively (see Note 20).

14. Short-term Loans

Short-term loans represent various unsecured promissory notes from local banks with interest rates ranging from 2.40% to 2.50% in 2016, and are payable within one year. On December 22, 2017, short-term loans amounting to ₱1,600.00 million was paid in full.

The carrying amount of these short-term loans amounted to ₱1,600.00 million as of December 31, 2016 and none as of December 31, 2017.

The interest expense on these short-term loans recognized under 'Finance cost' amounted to ₱56.97 million, ₱77.92 million and ₱57.99 million in 2017, 2016 and 2015, respectively (see Note 24).

15. Long-term Debt

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

	2017	2016
Mortgage payable	**₱10,633,018,874**	₱9,471,439,192
Bank loans	**7,391,459,298**	5,618,307,661
	18,024,478,172	15,089,746,853
Less current portion of:		
Mortgage payable	**1,703,703,704**	1,831,583,887
Bank loans	**1,852,256,613**	–
	3,555,960,317	1,831,583,887
	₱14,468,517,855	₱13,258,162,966

Mortgage Payable

SLPGC
On February 4, 2012, SLPGC entered into an ₱11,500.00 million Omnibus Loan Service Agreement with BDO Unibank, BPI and China Banking Corporation (CBC) as Lenders. As security for 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 project loan is as follows:

BDO	₱6,000,000,000
BPI	3,000,000,000
CBC	2,500,000,000
	₱11,500,000,000

Details of the loan follow:

a. Interest: At applicable interest rate, Philippine Dealing System Treasury-Fixing (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 27 equal consecutive quarterly installments commencing on the fourteenth quarter from the initial borrowing date. Final repayment date is ten years after initial borrowing which is on 2022.

As of December 31, 2017 and 2016, outstanding loan payable is ₱7,647.95 million and ₱9,343.56 million, respectively.

Rollforward of the deferred financing cost follows:

	2017	2016
At January 1	**₱26,811,361**	₱36,959,208
Amortization (Note 24)	**(8,099,496)**	(10,147,847)
At December 31	**₱18,711,865**	₱26,811,361

In 2017, 2016 and 2015, SLPGC incurred interest expense on long-term debt amounting to ₱295.73 million, ₱272.38 million and nil, respectively (see Note 24).

In addition to the pledging of SLPGC shares, the mortgage payable by SLPGC provides, 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, 2017 and 2016.

The remaining borrowing facility that can be drawn as of December 31, 2017 and 2016 amounted to ₱1,100.00 million and ₱1,100.00, respectively.

SCPC
On May 20, 2010, SCPC entered into a ₱9,600.00 million Omnibus Loan Security Agreement ("Agreement") with BDO, BPI and 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. On May 30, 2017, SCPC has paid the last amortization of the Omnibus Agreement.

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. Such security arrangement was released in 2017 (see Note 10).

Breakdown of the original principal of syndicated loan is as follows:

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

The Agreement was entered into to finance the payments made to PSALM pursuant to the Asset Purchase Agreement (APA) and permanent working capital requirements.

Details of the loan follow:

a. Interest: At a floating rate per annum equivalent to the three months 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 months PDST-R2 PM, plus a spread of 195 basis points.

b. Repayment: The principal amount shall be payable in 25 equal consecutive quarterly installments commencing on the 12th month from the initial borrowing date. Final repayment date is seven years after initial borrowing. The loan may be prepaid voluntarily provided the conditions in the Omnibus Agreement are satisfied.

On December 22, 2017, SCPC entered into a ₱3,000.00 million interest bearing Promissory Note with BDO Unibank, Inc. Interest is payable every three months at a fixed annual interest rate of 4.9% per annum. The principal amount shall be payable in 16 equal consecutive quarterly installments commencing on the 39th month from the initial borrowing date. Final repayment date is seven years after initial borrowing.

Rollforward of the deferred financing cost follows:

	2017	2016
At January 1	**₱119,817**	₱6,240,661
Additions	**15,000,000**	–
Amortization (Note 24)	**(183,889)**	(6,120,844)
At December 31	**₱14,935,928**	₱119,817

Amortization of debt finance cost recognized under 'Finance cost' account in the consolidated statements of comprehensive income amounted to ₱0.18 million, ₱6.12 million and ₱10.95 million in 2017, 2016 and 2015, respectively (see Note 24).

In 2017, 2016 and 2015, SCPC incurred interest expense on long-term debt amounting to ₱1.53 million, ₱22.15 million and ₱124.49 million, respectively (see Note 24).

On February 29, 2016, SCPC prepaid the ₱1,600.88 million of the long-term portion of the debt.

As of December 31, 2017 and 2016, outstanding loan payable is ₱2,985.06 million and ₱127.88 million, respectively.

The remaining borrowing facility that can be drawn as of December 31, 2017 and 2016 amounted to ₱10,000.00 million and ₱6,200.00 million respectively.

Bank Loans - Parent Company

Loan Type	Date of Availment	Outstanding Balance 2017	2016	Maturity	Interest Rate	Payment Terms	Covenants
Peso loan 1	2016	₱1,837,500,000	₱2,100,000,000	Various quarterly maturities starting 2018 until 2021	Floating rate to be repriced every 3 months based on 3-months "PDST-R2" plus a spread of one percent (1%)	Interest payable every 3 months, principal to be every 3 months	Current Ratio not less than 1:1 and Debt-to-Equity Ratio not to exceed 2:1
Peso loan 2	2017	1,400,000,000	–	2020	Floating rate to be repriced every 3 months based on 3-months "PDST-R2" plus a spread of one and half percent (0.5%)	Interest payable every 3 months, principal to be paid on maturity date	Current Ratio not less than 1:1 and Debt-to-Equity Ratio not to exceed 2:1
Peso loan 3	2017	750,000,000	–	2020	Floating rate to be repriced every 3 months	Interest payable every 3 months, principal to be paid on maturity date	None
Dollar loan 1	2016	1,350,968,798	1,345,286,774	2019	Floating rate to be repriced every 3 months based on 3-months LIBOR plus a spread of 0.86%	Interest payable every 3 months, principal to be paid on maturity date	Current Ratio not less than 1:1 and Debt-to-Equity Ratio not to exceed 2:1
Dollar loan 2	2015	1,196,006,613	1,319,641,378	2018	Floating rate to be repriced every 3 months	Interest payable every 3 months, principal to be paid every 6 months	None
Dollar loan 3	2016	856,983,887	853,379,509	2019	Floating rate to be repriced every 3 months based on 3-months LIBOR plus a spread of 0.86%	Interest payable every 3 months, principal to be paid on maturity date	Debt Service Coverage Ratio not less than 1:1 and Debt-to-Equity Ratio not to exceed 2:1
		₱7,391,459,298	₱5,618,307,661				

All bank loans are clean and are compliant with loan covenants.

Interest expense on long-term debt recognized under 'Finance cost' amounted to ₱196.72 million, ₱128.85 million and ₱44.09 million in 2017, 2016 and 2015, respectively (see Note 24).

The remaining borrowing facility that can be drawn as of December 31, 2017 and 2016 amounted to ₱11,300.00 million and ₱7,900.00 million, respectively.

The principal maturities of long-term debt as of December 31, 2017 and 2016 follow:

	2017	2016
Due in:		
2017	₱–	₱1,831,583,887
2018	3,555,960,317	3,014,411,119
2019	4,429,132,819	3,895,084,530
2020	4,372,889,928	3,798,128,281
2021	2,569,841,688	1,699,902,153
2022	1,598,467,377	–
2023	748,700,005	–
2024	749,486,038	850,636,883
	₱18,024,478,172	₱15,089,746,853

16. Trade and Other Payables

This account consists of:

	2017	2016
Trade:		
Payable to suppliers and contractors	**₱6,226,941,975**	₱6,218,171,878
Related parties (Note 20)	**1,610,123,194**	2,983,409,739
Payable to DOE and local government units (LGU) (Note 29)	**1,542,238,865**	1,647,719,455
Output VAT Payable	**1,113,534,421**	789,399,098
Accrued expenses and other payables (Note 20)	**358,473,674**	582,252,900
	₱10,851,312,129	₱12,220,953,070

Trade payable to suppliers and contractors
Trade payable to suppliers and contractors arise from progress billings of completed work as of cut-off period. The amount include liabilities amounting to ₱593.98 million (US$11.90 million) and ₱739.57 million (US$14.87 million) as of December 31, 2017 and 2016, respectively, to various foreign suppliers for open account purchases of equipment and equipment parts and supplies (see Note 31).

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 29).

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:

	2017	2016
Taxes, permits and licenses	**₱123,395,880**	₱343,909,575
Interest	**62,200,132**	32,812,917
Salaries and wages	**62,063,372**	33,410,317
Financial benefit payable	**17,387,946**	17,387,946
Rental (Note 20)	**8,684,806**	7,187,400
Professional fees	**1,782,019**	1,782,019
Others	**82,959,519**	145,762,726
	₱358,473,674	₱582,252,900

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

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

17. Provision for Decommissioning and Site Rehabilitation

The rollforward of this account follows:

	2017	2016
At January 1	**₱1,606,287,759**	₱513,701,432
Additions (Note 22)	**147,269,942**	1,089,423,459
Effect of change in estimates (Note 10)	**159,731,132**	(8,770,171)
Usage	**(293,107,253)**	(13,286,852)
Accretion of interest (Note 24)	**85,620,498**	25,219,891
At December 31	**₱1,705,802,078**	₱1,606,287,759

The Group's provision for decommissioning and site rehabilitation relates to rehabilitation activities for the coal pits for its mining segment and dismantling and restoration activities for its power segment. Segment breakdown of provision for provision for decommissioning and site rehabilitation follows:

	2017	2016
Mining	**₱1,686,536,073**	₱1,592,574,265
Power	**19,266,005**	13,713,494
	₱1,705,802,078	₱1,606,287,759

These provisions have been created based on the group's internal estimates. Discount rates used by the Group to compute for the present value of liability for decommissioning and site rehabilitation cost range from 4.80% to 7.50% and 3.86% to 8.77% in 2017 and 2016, respectively. Assumptions based on current economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in return, will depend upon future coal prices, which are inherently uncertain.

There are currently two minesites identified with coal deposits which are currently operational, namely Molave and Narra. Panian minesite has completed and closed its operations in September 2016. All mine sites are located in Semirara Island in Antique Province.

Based on the latest rehabilitation plan, the Group is expecting to rehabilitate 400 hectares each for Panian, Narra and Molave minesites and 2,625 hectares in areas outside the minepit.

The addition of ₱1,089.42 million in 2016 pertains to a significant change in rehabilitation plan of Panian mine pit. The previous plan include partial backfilling of open areas while portion will be converted into a lake. In 2016, the rehabilitation plan of Panian minepit was changed, such that the entire open pit will be covered with overburden from Narra and Molave mine pits. The addition of ₱147.27 million in 2017 pertains to a significant change in the timing of the rehabilitation plan of Panian mine pit. The previous plan to complete backfilling of Panian minepit for a period of nine years was accelerated into two years, such that the entire open pit will be covered with overburden from Narra and Molave mine pits. The additional costs represent the incremental cost of moving the overburden from Narra and Molave pits, while the effect of change in estimate is due to the updating of discount rate and inflation rate (see Note 22).

18. Capital Stock

The details of the Parent Company's capital stock as of December 31, 2017 and 2016 are as follows:

	2017	
	Shares	**Amount**
Authorized - ₱1 par value		
Balance at beginning of year	**3,000,000,000**	**₱3,000,000,000**
Increase in authorized capital stock	**7,000,0000,000**	**7,000,0000,000**
Balance at end of year	**10,000,000,000**	**₱10,000,000,000**
Issued and outstanding		
Capital stock		
Balance at beginning of year	**1,068,750,000**	**₱1,068,750,000**
Stock dividends declared (Note 19)	**3,195,859,290**	**3,195,859,290**
Balance at end of year	**4,264,609,290**	**4,264,609,290**
Treasury shares		
Balance at beginning of year	**(3,463,570)**	**(387,547,028)**
Treasury shares acquired	**(2,735,100)**	**(100,372,510)**
Balance at end of year	**(6,198,670)**	**(487,919,538)**
	4,258,410,620	**₱3,776,689,752**

	2016	
	Shares	Amount
Authorized - ₱1 par value		
Balance at beginning and end of year	3,000,000,000	₱3,000,000,000
Issued and outstanding		
Capital stock		
Balance at beginning and end of year	1,068,750,000	₱1,068,750,000
Treasury shares		
Balance at beginning of year	–	–
Treasury shares acquired	(3,463,570)	(387,547,028)
Balance at end of year	(3,463,570)	(387,547,028)
	1,065,286,430	₱681,202,972

On November 28, 1983, the SEC approved the issuance and public offering of 55,000.00 million common shares of the Parent Company at an offer price of ₱0.01 per share. Additional public offering was also approved by SEC on February 4, 2005 for 46.87 million common shares at an offer price of ₱36.00 per share.

On August 18, 2014, the SEC approved the increase in authorized capital stock of the Parent Company from ₱1,000.00 million to ₱3,000.00 million divided into 3,000.00 million common shares with a par value of ₱1 per share.

On February 23, 2017, the SEC approved the increase in authorized capital stock of the Parent Company from ₱3,000.00 million to ₱10,000.00 million divided into 10,000.00 million common shares with a par value of ₱1 per share.

Treasury shares
On August 15, 2016, the BOD approved the share buy-back program wherein the Parent Company will buy-back shares at prevailing market price not exceeding 20 million shares for a period of 60 days beginning August 18, 2016. As of December 31, 2016, the Parent Company has bought-back a total of 3,463,570 shares for a total consideration of ₱387.55 million. This is presented as treasury shares in the consolidated financial statements.

On December 7, 2017, the BOD approved the share buy-back program wherein the Parent Company will buy-back shares at prevailing market price not exceeding 2,000 million shares for a period of 60 days beginning December 8, 2017. As of December 31, 2017, the Parent Company has bought-back a total of 2,735,100 shares for a total consideration of ₱100.37 million. This is presented as treasury shares in the consolidated financial statements.

The Parent Company's track record of capital stock is as follows:

	Number of shares registered	Issue/offer price	Date of approval	Number of holders as of yearend
At January 1, 2001	1,630,970,000	₱1/share		
Add (deduct):				
Additional issuance	19,657,388	₱1/share	July 2, 2004	
Conversion of preferred shares to common shares	225,532	₱1/share	July 2, 2004	
Decrease in issued and outstanding common share from capital restructuring	(1,625,852,920)			
Share dividends	225,000,000	₱1/share	July 2, 2004	
Public offering additional issuance	46,875,000	₱36/share	February 4, 2005	
December 31, 2010	296,875,000			632
Add: Share rights offering	59,375,000	₱74/share	June 10, 2010	7
December 31, 2011	356,250,000			639
Add: Movement	–			24
December 31, 2012	356,250,000			663
Add: Movement	–			–
December 31, 2013	356,250,000			663
Add: Stock dividends	712,500,000		August 22, 2014	5
December 31, 2014	1,068,750,000			668
Add: Movement	–			9
December 31, 2015	1,068,750,000			677
Add: Movement	(3,463,570)		August 15, 2016	16
December 31, 2016	1,065,286,430			693
Add: Stock dividends	3,195,859,290		February 23, 2017	–
Add: Movement	(2,735,100)		December 7, 2017	1
December 31, 2017	4,258,410,620			694

19. Retained Earnings

As of December 31, 2017 and 2016, retained earnings amounted to ₱27,313.40 million and ₱26,952.98 million, respectively. The amounts include the accumulated equity in undistributed net earnings of subsidiaries which are not available for dividends until declared by the BOD of the respective 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, 2017 amounted to ₱6,207.09 million.

Cash Dividends
On August 9, 2017, the Parent Company's BOD authorized the Parent Company to declare and distribute cash dividends of ₱5.00 per share or ₱5,326.43 million to stockholders of record as of April 11, 2017. The said cash dividends were paid on September 8, 2017.

On March 27, 2017, the Parent Company's BOD authorized the Parent Company to declare and distribute cash dividends of ₱5.00 per share or ₱5,326.43 million to stockholders of record as of August 25, 2017. The said cash dividends were paid on April 25, 2017.

On April 29, 2016, the Parent Company's BOD authorized the Parent Company to declare and distribute cash dividends of ₱4.00 per share or ₱4,275.00 million to stockholders of record as of May 17, 2016. The said cash dividends were paid on May 27, 2016.

On April 22, 2015, the Parent Company's BOD authorized the Parent Company to declare and distribute cash dividends of ₱4.00 per share or ₱4,275.00 million to stockholders of record as of May 7, 2015. The said cash dividends were paid on May 20, 2015.

Stock Dividends
On February 23, 2017, the stockholders of the Parent Company approved the 300% stock dividends amounting to ₱3,195.86 million, divided into 3,195.86 million shares at the par value of ₱1.00 per share, or three (3) common shares for every one common share held, from the unrestricted retained earnings of the Parent Company as of December 31, 2016, and to be issued from the increase in the authorized capital stock of the Parent Company. On August 30, 2017, SEC approved and fixed the record date on September 15, 2017.

Appropriations
As of December 31, 2017, the 2013 appropriations of ₱1,600.00 million and ₱700.00 million for the power generation and coal mining operations, respectively, are retained for the ongoing activities in the SLPGC 2X25 MW gas turbine and future additional subscription payments to SLPGC and the continuing capital expenditure for the coal mining segment.

On March 27, 2017, in relation to the completion of the SLPGC 2x150 coal-fired thermal power plant, the BOD approved the reversal of previously appropriated retained earnings of ₱3,000.00 million.

On February 23, 2017, the BOD approved the appropriation of ₱4,500.00 million from the unappropriated retained earnings as of December 31, 2016 for other investments of the Group. This appropriation is intended for the on-going power capacity expansion project which are expected to be completed by 2023.

On November 8, 2016, the BOD approved the appropriation of ₱2,500.00 million from the unappropriated retained earnings as of December 31, 2015 as additional capital expenditure for the Phase 2 Power Plant expansion project under SRPGC which was initially expected to be completed in 2021 but has been moved to 2023.

On November 11, 2015, the BOD approved the appropriation of ₱3,000.00 million from the unappropriated retained earnings as of December 31, 2014 to be used for 2x150 coal-fired thermal power plant expansion of its wholly-owned subsidiary, SLPGC. The said power plant started commercial operation last April 2016 and was able to obtain Certificate of Compliance (COC No. 17-05-M-00107L) from ERC in 2017 and Taking-Over Certificate was issued by SLPGC (Owner) to Engineering Procurement and Construction (EPC) Contractor on July 5, 2017.

On August 8, 2013, the BOD approved the appropriation of ₱1,600.00 million from the unappropriated retained earnings as of December 31, 2012, as additional capital expenditure and investment in power expansion projects of the Group which are expected to be completed by 2021.

On March 12, 2013, the BOD of the Parent Company ratified the remaining ₱700.00 million appropriation to partially cover new capital expenditures for the Group's mine operation.

20. Related Party Transactions

The Group in its regular conduct of business has entered into transactions with Other 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 enumerated below which are under common control of DMCI-HI and Consunji family.

Except as indicated otherwise, the outstanding accounts with other 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:

	2017				
	Reference	Amount/Volume	Receivable (Payable)	Terms	Conditions
Trade receivables (Note 5)					
Entities under common control					
Sale of materials, services and reimbursement of shared expenses	(a)	₱153,390,884	₱241,052,373	Non-interest bearing, due and demandable	Unsecured, no impairment
Trade payables (Note 16)					
Entities under common control					
Reimbursement of shared expenses	(a)	32,000	(₱33,500)	30 days, non-interest bearing	Unsecured
Operation and maintenance fees	(c)	326,525,568	(26,468,360)	30 days, non-interest bearing	
Coal handling services	(d)	853,745,798	(153,074,382)	30 days, non-interest bearing	Unsecured
Mine exploration and hauling services	(e)	64,800,000	(64,800,000)	30 days, non-interest bearing	Unsecured
Construction and other outside services	(f)	966,832,736	(928,677,744)	30 days for monthly billings and portion after expiration of, retention period, non-interest bearing	Unsecured
Purchases of office supplies and refreshments	(g)	–	(523,461)	30 days, non-interest bearing	Unsecured
Office, parking and warehouse rental expenses	(h)	64,983,195	(66,885,951)	30 days, non-interest bearing	Unsecured
Aviation services	(i)	103,559,792	(12,241,378)	30 days, non-interest bearing	Unsecured
Arrastre and Cargo Services	(j)	5,685	(1,722,907)	30 days, non-interest bearing	Unsecured
Retention payable	(k)	5,699,192	(355,695,511)	30 days, non-interest bearing	Unsecured
		2,386,183,966	(₱1,610,123,194)		

(Forward)

	Reference	Amount/Volume	Receivable (Payable)	Terms	Conditions
				2017	
Other noncurrent liabilities (Note 13)					
Entities under common control					
Retention payable	(k)	–	(₱46,231,575)	Non-interest bearing	Unsecured

	Reference	Amount/Volume	Receivable (Payable)	Terms	Conditions
				2016	
Trade receivables (Note 5)					
Entities under common control					
Sale of materials, services and reimbursement of shared expenses	(a)	₱32,118,987	₱76,578,145	Non-interest bearing, due and demandable	Unsecured, no impairment
Advances to suppliers - current (Note 9)					
Entities under common control					
Construction and outside services	(b)	₱165,442,477	₱234,206,485	Non-interest bearing, recoupment through monthly and final billings	Unsecured, no impairment
Trade payables (Note 16)					
Entities under common control					
Reimbursement of shared expenses	(a)	₱–	(₱44,705)	30 days, non-interest bearing	Unsecured
Operation and maintenance fees	(c)	362,640,742	(21,704,777)	30 days, non-interest bearing	
Coal handling services	(d)	596,877,187	(109,561,084)	30 days, non-interest bearing	Unsecured
Mine exploration and hauling services	(e)	1,437,260,355	(751,942,643)	30 days, non-interest bearing	Unsecured
Construction and other outside services	(f)	971,238,050	(1,640,659,137)	30 days for monthly billings and portion after expiration of, retention period, non-interest bearing	Unsecured
Purchases of office supplies and refreshments	(g)	–	(1,500)	30 days, non-interest bearing	Unsecured
Office, parking and warehouse rental expenses	(h)	8,485,610	(1,902,754)	30 days, non-interest bearing	Unsecured
Aviation services	(i)	–	(12,725,108)	30 days, non-interest bearing	Unsecured
Arrastre and Cargo Services	(j)	1,905,527	(1,666,049)	30 days, non-interest bearing	Unsecured
Retention payable	(k)	15,780,000	(443,201,982)	30 days, non-interest bearing	Unsecured
		₱3,394,187,471	(₱2,983,409,739)		
Other noncurrent liabilities (Note 13)					
Entities under common control					
Retention payable	(k)	₱152,468,242	(₱423,813,611)	Non-interest bearing	Unsecured

a. This pertains to the services rendered, deliveries of goods and reimbursement of expenses advanced by the Group to its affiliates. This includes contracted services, share in rental expenses, office materials and supplies, maintenance and renewal expenses of information systems and compensation settlement from DMCI for the delay of construction of 2x150MW coal-fired thermal power plant of SLPGC.

   All outstanding balances from affiliates are included in receivables under 'Trade receivable - related parties' and 'Trade payables - related parties' in the consolidated statements of financial position.

b. In 2016, DMCI was engaged by SLPGC in the construction of the 2x150MW coal-fired thermal power plant. Billings of DMCI was charged to 'Construction in progress' account. Advances to contractors amounting to ₱234.21 million is classified under 'Advances to suppliers and others' in the consolidated statements of financial position (see Note 9). These advances are recouped through monthly and final billings as the work progresses.

c. 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 outstanding balances due to DMCI Power are included in the 'Trade payable - related parties' account in the consolidated statements of financial position (see Note 16).

d. SCPC and SLPGC entered into a voyage charter agreement with DMC Construction Equipment and Resources, Inc. (DMC CERI). 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 16).

   SLPGC and SCPC hired St. John Bulk Handlers, Inc. (SJBHI) for its coal handling services. Cost of coal handling services provided by SJBHI to SLPGC are offset against commissioning revenue during the commissioning stage and included in the 'Cost of power sales' after start of commercial operations. While for SCPC, these are included in the 'Cost of power sales'. The outstanding balances are included in the 'Trade payable - related parties' account in the consolidated statements of financial position (see Note 16).

e. 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 22).

   DMC-CERI operate, maintain and manage Parent Company's marine vessel for use in shiploading and delivery of coal to its various costumer. 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 22).

   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 22).

   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 16).

f. The Group contracted DMCI for the construction of its 1x 5 MW Power Plant located at Semirara Island and the construction of SLPGC's 2x150 MW coal-fired thermal power plants in Batangas. Other services include 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 16).

g. The Group engaged Sirawai Plywood & Lumber Corp. and South Davao Development Corporation to supply various raw materials, office supplies and refreshments. The outstanding balance to and South Davao Development Corporation is lodged in trade and other payables under 'Trade payable - related parties' in the consolidated statements of financial position (see Note 16).

h. In 2017 and 2016, DMC Urban Property Developers, Inc. (DMC-UPDI) 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 22). 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 16).

i. Royal Star Aviation Inc. provide maintenance services and hangarage for the Parent Company's aircraft use to transport supplies, employees and visitors in and out the minesite. The related expenses are included in cost of sales under 'Production overhead' in the consolidated statements of comprehensive income (see Note 22).

   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 16).

j. In 2017 and 2016, 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 16).

k. In 2017 and 2016, the Group 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. Current portion of the retention payable is lodged in trade and other payables under 'Trade payables - related parties' in the consolidated statements of financial position (see Note 16). The remaining noncurrent portion of the retention are lodged under 'Other noncurrent liabilities' in the consolidated statements of financial position (see Note 13).

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, 2017 and 2016, there were no impairment losses recognized on related party balances.

Compensation of key management personnel of the Group amounted to ₱208.53 million and ₱167.98 million in 2017 and 2016, respectively.

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.

21. 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 as of December 31, 2017.

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 BOD delegates the implementation of the investment policy in accordance with the investment strategy as well as various principles and objectives to an Investment Committee, which also consists of members of the BOD, Vice-President for Treasury and Chief Finance Officer. The Vice-President for Treasury and Chief Finance Officer oversee the entire investment process.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Provisions for pension liabilities are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary.

There are no plan amendments, curtailments or settlements in 2017, 2016 and 2015.

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:

	2017	2016	2015
Discount rate	**5.77% - 6.22%**	5.28% - 5.87%	5.27% - 6.36%
Salary increase rate	**3.00%**	3.00%	3.00%

The weighted average duration of significant defined benefit obligation per segment are as follows (average number of years) for 2017 and 2016:

Mining	25 years
Power	17 to 24 years

The following table summarizes the components of pension expense in the consolidated statements of comprehensive income:

	2017	2016	2015
Current service cost	**₱44,616,166**	₱39,628,111	₱16,657,360
Interest expense related to the defined benefit liability	**10,471,117**	10,684,019	6,611,027
Interest income related to plan assets	**(3,938,353)**	(4,384,303)	(3,876,122)
	₱51,148,930	₱45,927,827	₱19,392,265

The above pension expense is included in 'Personnel costs' under 'Operating expenses' and 'Direct labor' under 'Cost of sales' in the consolidated statements of comprehensive income (see Notes 22 and 23).

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:

	2017	2016
Defined benefit liability at beginning of year	**₱185,609,013**	₱155,918,352
Current service cost	**44,616,166**	39,628,111
Interest expense	**10,471,117**	10,684,019
Remeasurement of defined benefit liability:		
Arising from changes in financial assumptions	**(4,094,013)**	3,991,299
Experience gains (losses)	**91,582,561**	(15,888,555)
Benefits directly paid by the Group	**(20,736,252)**	(8,724,213)
Benefits paid from plan asset	**(4,474,070)**	–
Defined benefit liability at end of year	**₱302,974,522**	₱185,609,013
Fair value of plan assets at beginning of year	**₱71,574,235**	₱68,935,574
Return on plan assets (excluding amounts included in interest income)	**(2,275,906)**	(1,745,642)
Interest income	**3,938,353**	4,384,303
Benefits paid from plan assets	**(4,474,070)**	–
Fair value of plan assets at end of year	**₱68,762,612**	₱71,574,235
Net pension liability at beginning of year	**₱114,034,778**	₱86,982,778
Net periodic pension cost	**51,148,930**	45,927,827
Amounts recognized in other comprehensive income	**89,764,454**	(10,151,614)
Benefit payments - paid by the Group	**(20,736,252)**	(8,724,213)
Net pension liability at end of year	**₱234,211,910**	₱114,034,778

The Group does not expect any contribution into the pension fund in 2018.

The composition and fair value of plan assets as at the end of reporting date are as follows:

	2017	2016
Cash and cash equivalents	**₱3,466,987**	₱368,703
Equity instruments		
Financial institutions	**5,000**	7,209,020
Real Estate	**5,260,000**	5,430,000
Debt instruments		
Government securities	**47,067,174**	45,301,117
Unquoted debt securities	**11,941,409**	12,118,696
Receivables	**1,022,042**	1,146,699
Fair value of plan assets	**₱68,762,612**	₱71,574,235

Trust fee in 2017 and 2016 amounted to ₱34,059 and ₱35,486, respectively.

The composition of the fair value of the plan assets 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 of financial institutions 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 - unquoted - include investment in long-term debt notes and retail bonds

Receivables - pertain to interest and dividends receivable on the investments in the fund

The management performs a study of how to match its existing assets versus the pension liabilities to be settled. The overall investment policy and strategy of the Group's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plan. The Group's current guiding strategic investment strategy consists of 86% of debt instruments, 5% of equity instruments and 1% of others.

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the Defined Benefit Obligation (DBO) at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the DBO.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

	2017		2016	
	Increase (Decrease)	**Effect on Defined Benefit Liability**	Increase (Decrease)	Effect on Defined Benefit Liability
Discount rates	**+0.5% to 1%**	**(₱20,425,777)**	+0.5% to 1%	(₱15,082,880)
	-0.5% to 1%	**23,933,523**	-0.5% to 1%	18,155,286
Future salary increases	**+1%**	**21,005,802**	+1%	16,931,804
	-1%	**(18,197,256)**	-1%	(14,463,121)

Shown below is the maturity analysis of the undiscounted benefit payment up to 10 years:

	2017	2016
Less than 1 year	**₱111,829,531**	₱59,302,155
More than 1 year to 5 years	**104,675,611**	47,215,986
More than 5 years to 10 years	**131,707,999**	90,918,414
	₱348,213,141	₱197,436,555

The Group has no other transactions with the fund.

22. Cost of Sales

Cost of coal sales consists of:

	2017	2016	2015
Materials and supplies (Note 20)	**₱3,397,821,000**	₱4,371,052,573	₱3,024,001,394
Depreciation and amortization (Notes 10 and 13)	**2,775,248,241**	1,157,006,529	519,842,448
Fuel and lubricants	**2,653,577,777**	1,489,016,376	1,163,408,917
Outside services (Note 20)	**1,134,591,537**	1,549,788,146	695,999,390
Direct labor (Note 20)	**896,317,627**	700,275,846	446,316,290
Production overhead (Note 20)	**741,646,375**	207,552,739	335,423,295
Provision for decommissioning and site rehabilitation (Note 17)	**147,269,942**	1,089,423,459	–
Cost of coal (Note 7)	**11,746,472,499**	10,564,115,668	6,184,991,734
Hauling and shiploading costs (Note 20)	**163,963,714**	449,384,137	202,827,731
	₱11,910,436,213	₱11,013,499,805	₱6,387,819,465

Cost of power sales consists of:

	2017	2016	2015
Coal	**₱4,399,206,475**	₱2,559,889,904	₱2,679,503,585
Depreciation and amortization (Note 10)	**2,164,203,384**	2,170,627,728	1,006,345,938
Energy spot purchases	**1,252,554,813**	2,495,357,262	107,406,243
Coal handling expense (Note 20)	**283,495,892**	127,518,172	110,269,630
Diesel	**133,883,247**	43,426,757	38,503,060
Bunker	**38,337,893**	137,044,067	93,581,560
Market fees	**31,173,053**	28,091,496	59,041,865
Lube	**20,471,045**	42,912,606	40,993,979
Others	**99,720,106**	82,653,529	18,627,044
	₱8,423,045,908	₱7,687,521,521	₱4,154,272,904

The cost of coal on power sales consists of:

	2017	2016	2015
Materials and supplies (Note 20)	**₱1,386,306,595**	₱1,015,972,538	₱1,268,480,210
Fuel and lubricants	**1,082,656,318**	346,095,070	488,016,040
Depreciation and amortization (Notes 10 and 13)	**672,061,538**	268,925,354	291,951,404
Outside services (Note 20)	**462,911,887**	360,220,375	218,058,715
Direct labor (Note 20)	**365,696,439**	162,766,523	187,216,640
Hauling and shiploading costs (Note 20)	**66,896,984**	104,451,259	85,080,306
Production overhead (Note 20)	**362,676,714**	301,458,785	140,700,270
	₱4,399,206,475	₱2,559,889,904	₱2,679,503,585

23. Operating Expenses

	2017	2016	2015
Government share (Note 29)	**₱4,306,810,763**	₱2,649,979,160	₱1,796,046,847
Depreciation (Notes 3 and 10)	**901,986,496**	56,790,728	43,246,105
Taxes and licenses	**755,955,043**	549,068,101	283,992,995
Repairs and maintenance	**435,377,879**	330,609,401	121,330,131
Operation and maintenance (Note 20)	**419,748,118**	411,460,868	324,559,835
Personnel costs (Notes 20 and 21)	**417,678,271**	362,922,245	295,467,153
Office expenses (Note 20)	**286,175,538**	146,989,002	133,046,584
Impairment loss (Note 13)	**156,068,023**	–	–
Insurance and bonds	**149,429,339**	116,303,915	92,418,625
Professional fees	**75,318,289**	68,321,444	70,634,134
Entertainment, amusement and recreation	**67,439,681**	32,347,816	56,042,490
Transportation and travel	**37,708,369**	17,892,216	31,207,300
Marketing	**6,919,797**	1,990,558	6,315,763
Provision for doubtful accounts - net (Note 5)	**151,886**	149,533,034	925,151,745
Provision for inventory obsolescence (Note 7)	**–**	1,239,090	20,902,458
Loss on disposal and write-down of property, plant and equipment (Note 10)	**–**	–	16,087,500
Others	**190,261,836**	103,418,662	172,634,820
	₱8,207,029,328	₱4,998,866,240	₱4,389,084,485

Others pertain to various expenses such as advertising and utilities.

24. Finance Costs

	2017	2016	2015
Interest on:			
Long-term debt (Note 15)	**₱493,971,277**	₱423,378,970	₱168,578,574
Accretion of cost of decommissioning and site rehabilitation (Note 17)	**85,620,498**	25,219,891	7,395,580
Short-term loans (Note 14)	**56,968,000**	77,918,662	57,987,231
Amortization of debt issuance cost (Note 15)	**8,283,385**	13,596,689	10,950,937
Bank charges	**73,225,296**	58,878,494	33,275,592
	₱718,068,456	₱598,992,706	₱278,187,914

25. Finance Income

	2017	2016	2015
Interest on:			
Cash in banks (Note 4)	**₱24,140,288**	₱36,767,808	₱22,091,022
Cash equivalents (Note 4)	**71,184,403**	41,720,476	25,796,786
Investment in sinking fund (Note 11)	**687,420**	4,313,045	8,992,559
Others	**384,687**	437,367	683,382
	₱96,396,798	₱83,238,696	₱57,563,749

26. Other Income

	2017	2016	2015
Recoveries from insurance claims and claims from third party settlement (Note 5)	**₱514,088,242**	₱218,030,806	₱161,195,903
Net gain on financial assets at FVPL (Note 6)	**256,269,156**	–	–
Sale of fly ash	**178,931,960**	123,188,392	133,118,624
Gain on sale of equipment (Note 10)	**126,227,184**	–	76,461,975
Commissioning income	–	595,343,004	58,327,356
Reversal of allowance for impairment losses	–	–	10,683,653
Miscellaneous	**98,545**	1,879,796	891,119
	₱1,075,615,087	₱938,441,998	₱440,678,630

Recoveries from insurance claims and claims from third parties settlement
Recoveries from insurance claims pertain to the amount reimbursed by the insurer on insured equipment that were damaged. In 2017, the Group recognized recoveries from settlement agreement from the EPC contractor representing compensation for the delay in completion of construction 2x150 MW coal-fired thermal power plant and income from claims from PSALM and NPC with nature discussed in Note 5.

Net gain on financial assets at FVPL
Net gain on financial assets at FVPL related to the fair value gain settle differences with a retail electricity supplier. This includes realized gain amounting to ₱36.60 million for the year ended December 31, 2017.

Commissioning income
Commissioning income pertains to net revenue earned by the Group from the testing phase of the 2X150 MW CFB coal-fired thermal power plant during the first quarter of 2016 and for the whole year 2015.

Miscellaneous
Miscellaneous pertains to sample sale of products for its claystone business.

27. Income Tax

The provision for income tax consists of:

	2017	2016	2015
Current	**₱1,079,306,693**	₱837,219,939	₱995,397,884
Final	**19,168,305**	13,884,010	10,713,827
Deferred	**156,853,425**	11,975,636	175,972,220
	₱1,255,328,423	₱863,079,585	₱1,182,083,931

The reconciliation of the effective statutory income tax rate to the effective income tax rate shown in the consolidated statements of comprehensive income follows:

	2017	2016	2015
Statutory income tax rate	**30.00%**	30.00%	30.00%
Adjustments for:			
Nondeductible expense	**0.16**	0.18	0.08
Nondeductible interest expense	**0.07**	0.05	0.05
Unrecognized deferred tax assets	**0.48**	4.36	7.62
Interest income already subject to final tax at a lower rate	**(0.10)**	(0.08)	(0.04)
Tax-exempt income	**(22.49)**	(27.82)	(25.48)
Effective income tax rate	**8.12%**	6.69%	12.23%

The components of net deferred tax assets as of December 31, 2017 and 2016 follow:

	2017	2016
Deferred tax assets (liabilities) on:		
Allowance for doubtful accounts and impairment losses	**₱477,935,385**	₱477,889,819
Accrual of pension obligation	**62,621,374**	29,470,549
Allowance for inventory obsolescence	**20,218,166**	20,218,166
Provision for decommissioning and site rehabilitation	**3,580,981**	3,113,659
Various accruals	**508,791**	2,909,884
NOLCO	**125,566**	337,422
Unrealized foreign exchange gain - net	**(15,743,149)**	(14,191,590)
Claims from third party settlement	**(99,023,728)**	–
	₱450,223,386	₱519,747,909

The components of net deferred tax liabilities as of December 31, 2017 and 2016 follow:

	2017	2016
Deferred tax assets (liabilities) on:		
Unrealized gain from financial contract	**(₱65,900,403)**	₱–
Accrual of pension obligation	**10,909,718**	(1,230,930)
	(₱54,990,685)	(₱1,230,930)

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used.

The Group has the following deductible temporary differences that are available for offset against future taxable income or tax payable for which deferred taxes have not been recognized:

	2017	2016
NOLCO	**₱4,265,844,135**	₱9,143,159,173
Allowance for impairment losses	**156,068,023**	–
	₱4,421,912,158	₱9,143,159,173

Rollforward analysis of the Group's NOLCO follows:

	2017	2016
Balance at beginning of year	**₱9,144,283,980**	₱10,775,473,365
Addition	**418,554**	1,809,367,892
Expired	**(4,878,439,846)**	(3,440,557,277)
Balance at the end of year	**₱4,266,262,688**	₱9,144,283,980

The Group did not recognize deferred tax assets on NOLCO from the following periods:

Year Incurred	Amount	Expiry Year
2017	₱418,554	2020
2016	1,809,367,892	2019
2015	2,456,057,689	2018
	₱4,265,844,135	

Rollforward analysis of the Group's MCIT follows:

	2016
Balance at beginning of year	₱2,042,359
Addition	–
Used	(2,042,359)
Balance at the end of year	₱–

Board of Investments (BOI) Incentives

Parent Company

In relation to the Parent Company's operation in Panian minesite, 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 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 years prior to the expansion shall be used.

   The Parent Company shall initially be granted a four year ITH. The additional two 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 year ITH. The Parent Company's ITH of six 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 which was extended by the BOI to September 2016.

b. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five 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 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 years (2000 to 2007) prior to registration with BOI.

The Parent Company's Certificate of Registration for Panian Minesite has expired on September 26, 2016 simultaneous to the full depletion of the mineable coal reserve.

On August 31, 2012 and February 24, 2016, BOI has granted the Parent Company Certificates of Registration as New Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987 in relation to the operation in Narra Minesite (formerly Bobog) (Certificate of Registration No. 2012-183) and Molave Minesite (Certificate of Registration No. 2016-042). Pursuant thereto, the Parent Company shall be entitled to the following incentives for the two Certificate of Registrations, among others:

a. ITH for four years from January 2015 and January 2017 for Narra Minesite and Molave Minesite, respectively, or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

b. Income qualified for ITH availment shall not exceed by more than 10% of the projected income represented by the Parent Company in its application provided the project's actual investments and employment match the Parent Company's representation in the application.

The Parent Company availed of incentive in the form of ITH on its income under registered activities amounting to ₱2,679.13 million, ₱2,747.09 million and ₱2,339.37 million in 2017, 2016 and 2015, 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 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 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 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 years from date of registration.

e. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

On June 19, 2015, SLPGC wrote the BOI informing the latter of the delay in the start of commercial operations of Units 1 & 2 of the 2x150 MW CFB Fired Power Plant Project citing as reason the delay in the substation interconnection of the plant due to legal and commercial issues between and among the National Power Corporation, National Transmission Corporation, First Gas Power Corporation, MERALCO, PSALM and National Grid Corporation.

On July 2, 2015, the BOI replied that the BOI may grant a request for deferment of start of commercial operations with justifiable cause for a maximum of one year. The BOI may also grant a second request for deferment for six 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 of the reckoning period of ITH for the six months or up to June 2016.

On June 29, 2016, the BOI granted the request for the movement of the reckoning period for the ITH incentive from January 1, 2015 to January 1, 2016 due to the delay arising from interconnection issue which is considered as an operational force majeure. In 2017 and 2016, SLPGC availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱799.28 million and ₱842.59 million, respectively.

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the consolidated financial statement balances as of the reporting date.

28. Basic/Diluted Earnings Per Share

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

	2017	2016 (As restated)	2015 (As restated)
Net income	**₱14,209,139,819**	₱12,040,669,988	₱8,486,909,081
Divided by the weighted average number of common shares outstanding*	**4,261,034,460**	4,270,694,014	4,275,000,000
Basic/diluted earnings per share**	**₱3.33**	₱2.82	₱1.99

**Retrospectively adjusted for the effect of issuance of stock dividend in 2017.*
*** The effect on earnings per share related to the restatements in 2016 and 2015 was ₱8.46 and ₱5.95, respectively.*

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorization of these consolidated financial statements.

29. 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 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 Caluya and Sibay Islands, Antique, covering an additional area of 3,000 hectares and 4,200 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 liability 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 ₱4,306.81 million, ₱2,649.98 million and

₱1,796.05 million in 2017, 2016 and 2015, respectively, included under 'Operating expenses' in the consolidated statements of comprehensive income (see Note 23). Payable to DOE and LGU, amounting to ₱1,542.24 million and ₱1,647.72 million as of December 31, 2017 and 2016 are included under the 'Trade and other payables' account in the consolidated statements of financial position (see Note 16).

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.

30. 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 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 wrote-off the total amount withheld by NPC, which amounted to ₱383.29 million. Though a provision has already been made, SCPC has not waived its right to collect the said amount in case the outcome of the dispute resolution would be a favorable settlement for SCPC. The provision will be reversed and an income would be recognized in the 'Other income' account upon collection of the said receivable.

On July 6, 2011, the ERC rendered its Decision in favor of SCPC and directed the parties, among others to submit the reconciled computation of the over-nominations and other MERALCO payments withheld by PSALM during the periods January 2010 to June 2010, and for PSALM to return to SCPC the amount computed and reconciled, including the interests thereon a rate of 6% per annum. PSALM filed a Motion for Reconsideration on the Decision which was denied by ERC in an order dated February 13, 2012 for lack of merit.

On April 24, 2012, SCPC and PSALM each filed their Compliance submitting the reconciled computations of the over-nominations and other MERALCO payments withheld by PSALM, as agreed upon by the parties, in the principal amount of ₱476.00 million.

On December 4, 2013, SCPC filed a Motion for Issuance of Writ of Execution praying to direct PSALM to remit the Principal Amount, including interest of 6% per annum computed from August 4, 2010 until the date of actual payment, as well as the value added tax collected by PSALM from MERALCO, pursuant to the ERC's Decision dated July 6, 2011 and Order dated February 13, 2012.

On June 23, 2014, the ERC issued an Order granting the Writ of Execution in favor of SCPC and called a clarificatory conference on September 3, 2014 for the parties to discuss the details of the execution. PSALM filed a Motion for Reconsideration of the ERC's Order dated June 23, 2014.

On September 3, 2014 clarificatory conference, the ERC directed the parties to discuss how they could mutually carry out the execution granted by the ERC in favor of SCPC and likewise (1) granted SCPC 10 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.

On July 18, 2017, the ERC issued an Order granting PSALM's Motion for Reconsideration (MR) and setting aside its Order dated 23 June 2014. In the said Order, the ERC stated that the grant of PSALM's motion is without prejudice to the filing of SCPC of the appropriate money claims with Commission on Audit (COA).

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 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.

On December 16, 2016, the Supreme Court issued a Notice of Decision and Decision dated December 5, 2016. In said Decision, the Supreme Court denied PSALM's Petition for Review on Certiorari with Prayer for issuance of Temporary Restraining Order and/or Preliminary injunction and affirmed the ruling of the Court of Appeals.

PSALM filed its Motion for Reconsideration dated January 19, 2017. On February 13, 2017, the Supreme Court rendered Decision denying with finality PSALM's Motion for Reconsideration.

On February 22, 2017, due to the denial with finality of PSALM's MR by the Supreme Court, SCPC filed with the ERC an Urgent Motion for Resolution of PSALM's Motion for Reconsideration pending with the ERC. SCPC prayed that the MR be denied and a writ of execution be issued in favor of SCPC.

Petition for Money Claim versus PSALM before the COA
On November 27, 2017, SCPC filed before the COA a Petition for Money Claim against PSALM for the enforcement of the Decision dated July 6, 2011 and Order dated February 13, 2012 issued by the ERC in ERC Case No. 2010-058MC, as affirmed by the Court of Appeals in its Decision dated September 4, 2012 in CA-C.R. No. 123997, and by the Supreme Court in its Decision dated December 5, 2016 in G.R. No. 204719.

On December 11, 2017, SCPC received a copy of the Order dated November 29, 2017 issued by COA directing PSALM to submit its answer to SCPC's Petition dated November 27, 2017 within 15 days from receipt thereof. Upon confirmation from the Philippine Post Office - Quezon City, PSALM received a copy of the foregoing Order on December 14, 2017. Hence, PSALM has until December 29, 2017 within which to file its answer.

On February 7, 2018, SCPC filed with COA a Motion to Declare Respondent Power Sector Assets and Liabilities Management Corporation in Default in view of PSALM's failure to file Answer within the period provided by COA in the Order dated November 29, 2017. However, on February 15, 2018, SCPC received a copy of PSALM's Motion to Admit Attached Answer with Answer both dated February 12, 2018. In its Answer, PSALM confirmed that it had not made any payments in connection with the ERC Decision dated July 6, 2011 but contended that SCPC's prayer for payment of interest should be denied because allegedly, SCPC's Petition dated November 27, 2017 and the ERC decision failed to state as to when the interest should be counted from. SCPC will prepare a Reply to PSALM's Answer when if the COA admits PSALM's answer.

Since this case involves issues which have been settled by no less than the Supreme Court in a final and executory judgment, i.e. PSALM's liability in the principal amount of ₱476.70 million inclusive of VAT, the recovery of SCPC's money claim is certain. The filing of Petition with COA is for the purpose of executing the money judgment since the ERC refused to execute the same based on the rule that all money claims against the government must first be filed with the COA.

b. Operating Lease Commitment - as a Lessee

As discussed in Note 13, SCPC entered into a LLA with PSALM for the lease of land where the Power Plant is situated, for the period of 25 years, renewable for another 25 years upon mutual agreement. In 2009, SCPC paid US$3.19 million or its peso equivalent ₱150.57 million as advance rental for the 25-year land lease.

Provisions of the LLA include that SCPC has the option to buy the Option Assets upon issuance of an Option Existence Notice (OEN) by the lessor. Option assets are parcels of land that form part of the leased premises which the lessor offers for sale to the lessee.

SCPC was also required to deliver and submit to the lessor a performance security amounting to ₱34.83 million in the form of Stand-by Letter of Credits. The Performance Security shall be maintained by SCPC in full force and effect continuously without any interruption until the Performance Security expiration date. The Performance Security initially must be effective for the period of one year from the date of issue, to be replaced prior to expiration every year thereafter and shall at all times remain valid.

In the event that the lessor issues an OEN and SCPC buy the option assets, the land purchase price should be equivalent to the highest of the following and/or amounts: (i) assessment of the Provincial Assessors of Batangas Province; (ii) the assessment of the Municipal or City Assessor having jurisdiction over the particular portion of the leased premises; (iii) the zonal valuation of Bureau of Internal Revenue or, (iv) 21.00 per square meter (dollar). Valuation basis for (i) to (iii) shall be based on the receipt of PSALM of the option to exercise notice.

The exchange rate to be used should be the Philippine Dealing Exchange rate at the date of receipt of PSALM of the option to exercise notice.

On July 12, 2010, PSALM issued an OEN and granted SCPC the "Option" to purchase parcels of land (Optioned Assets) that form part of the leased premises. SCPC availed of the "Option" and paid the Option Price amounting to US$0.32 million (₱14.72 million) exercisable within one year from the issuance of the OEN.

On April 28, 2011, SCPC sent a letter to PSALM requesting for the assignment of the option to purchase a lot with an area of 82,740 sqm in favor of its Parent Company. On May 5, 2011, PSALM approved the assignment. On June 1, 2011, SCPC exercised the land lease option at a purchase price of ₱292.62 million and is included as part of 'Property, plant and equipment' (see Note 10).

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 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 14, 2014, SCPC reiterated its proposal to purchase the Calaca Leased Premises not identified as Optioned Assets.

On February 1, 2017, SCPC again reiterated to PSALM its proposal to purchase the Calaca Leased Premises.

c. Power Supply Agreement with 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 years extendable upon mutual agreement by the parties for another three 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 ₱4,785.12/Kw/Year.

d. 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 claimed by MERALCO against SCPC representing line loss amounts allegedly received by SCPC beginning 2009 amounts to ₱265.54 million.

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 days from receipt of MERALCO's Rejoinder to file a Sur-Rejoinder. The ERC denied the generating companies prayer to hold in abeyance the conduct of the initial hearing on October 17, 2013 and shall proceed on said date only insofar as the jurisdictional hearing is concerned without prejudice to the ERC's resolution of the Joint Motion to Dismiss.

The generating companies' Joint Motion to Dismiss has been submitted for resolution. As of December 31, 2017, the Joint Motion to Dismiss has yet to be resolved.

e. Contract for the Fly Ash of the Power Plant

On October 20, 1987, NPC and Pozzolanic Australia Pty, Ltd. ("Pozzolanic") executed the Contract for the Purchase of Fly Ash of the Power Plant (the "Pozzolanic Contract"). Under the Pozzolanic Contract, Pozzolanic was given the right to sell, store, process, remove or otherwise dispose of all fly ash produced at the first unit of the Power Plant. It was also granted the first option to purchase fly ash, under similar terms and conditions, from the second unit of the Power Plant that NPC may construct. It may also exercise the exclusive right of first refusal to purchase fly ash from any new coal-fired power plants which will be put up by NPC.

The Pozzolanic Contract is effective for a period of five consecutive five-year terms from its signing, or a period of 25 years from October 20, 1987 or until 2012, subject to cancellation by NPC upon default or any breach of contract by Pozzolanic. At the end of each five-year term, the parties will agree to assess and evaluate the Pozzolanic Contract, and if necessary, revise, alter, modify the same upon their mutual consent.

The Philippine Government has determined the provision of the Pozzolanic Contract which grants Pozzolanic the exclusive right of first refusal to purchase fly ash from the second unit of the Power Plant and from any coal-fired power plant put up by NPC after the execution of the Pozzolanic Contract as invalid. This is the subject of a case filed by Pozzolanic and pending before the regional trial court of Quezon City as of December 31, 2011.

On April 30, 2012, the SCPC as new owner of the Power Plant and Pozzolanic sealed a new contract valid and effective for a period of fifteen (15) years beginning February 1, 2012. Pozzolanic, as agreed, shall purchase One Hundred (100 %) percent of fly ashes produced or generated by the Power Plant.

f. Temporary Restraining Order on MERALCO

On December 23, 2013, the Supreme Court (SC) issued a temporary restraining order (TRO) to MERALCO enjoining it from increasing the generation rates it charges to its consumers arising from the increased generation costs from its suppliers for the supply month of November 2013. The said TRO also enjoined the 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 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 seven 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 (DUs) in Luzon for the November and December 2013 supply months for their immediate settlement, except for MERALCO whose November 2013 WESM bill shall be maintained in compliance with the TRO issued by the SC.

Several generation companies and distribution companies filed their respective Motions for Reconsideration of the March 3, 2014 ERC Order. The SCPC filed its Motion for Reconsideration with Motion for Deferment of implementation of the Order dated March 3, 2014 on March 31, 2014. The said Motions were set for hearing on April 28, 2014.

In the meantime, PEMC issued the adjusted WESM bills to the market participants, including the SCPC. In an Order dated March 27, 2014, the ERC directed PEMC to provide the market participants an additional period of 45 days from receipt of the Order within which to comply with the settlement of the adjusted WESM bills in view of the pendency of the various submissions before the ERC.

During the hearing held on April 28, 2014, the ERC directed the parties to submit their respective memoranda by May 2, 2014. In compliance with the directive, SCPC filed a Manifestation on May 2, 2014 that it is adopting its Motion for Reconsideration in lieu of filing a Memorandum. In an Order dated October 15, 2014, the ERC denied SCPC's Motion for Reconsideration.

On December 11, 2014, SCPC filed a Petition for Review with Prayer for Issuance of Temporary Restraining Order and/or Writ of Injunction with the Court of Appeals seeking reversal of the ERC Orders dated March 3, 2014 and October 15, 2014. In a resolution dated April 30, 2015, the SCPC's Petition was consolidated with other related cases filed by other generation companies before the Court of Appeals. PEMC and ERC filed their respective Consolidated Comments on the consolidated Petitions to which the SCPC filed its Reply.

MERALCO filed its Consolidated Motion for Leave to Intervene with Opposition to Prayers for issuance of Temporary Restraining Order and/or Writ of Injunction. SCPC filed its Comment to MERALCO's Consolidated Motion on November 2, 2015.

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. 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 from June 2014 to May 2016. Total payments amounted to ₱674.00 million.

In a Decision dated November 7, 2017, the Court of Appeals granted SCPC's Petition and declared the ERC's Orders dated March 3, 2014, March 27,2014 and October 15,2014 in ERC Case No. 2014-021 as null and void for being issued in violation of the Constitution and the applicable laws.

On December 14, 2017, we received Meralco's and ERC's Motion for Reconsideration of the Court Appeal's Decision dated December 8, 2017 and December 12, 2017, respectively. Likewise, we received Motions for Leave to Intervene with Motion to Admit Attach Motion for Reconsideration filed by several third parties such as Mercury Drug Corporation, Riverbanks Development Corporation, Philippine Steelmakers Association and Ateneo de Manila University, seeking intervention in the instant case and reconsideration of the Court of Appeal's Decision.

The Court of Appeals is yet to issue an order requiring SCPC to comment on the pleadings filed by Meralco, ERC and third parties.

<u>SLPGC</u>

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. In 2017, SLPGC and DMCI entered into settlement agreement which includes among others reciprocal concession, certain payments, reductions of the contract price and performance of other obligations. The settlement agreement resulted to the recognition by SLPGC of settlement income amounting to ₱133.04 million in 2017 (see Note 20).

<u>SMPC</u>

a. The Parent Company leases land at the minesite and building as office space.

Future minimum rental payables under operating leases follow:

	2017	2016
Within one year	**₱26,742,800**	₱16,128,213
After one year but not more than five years	**44,041,525**	10,935,837
	₱70,784,325	₱27,064,050

b. Special Order (SO) No. 2017-042, Series of 2017, *Creation of DENR Regional Team to Conduct Investigation on the Semirara Mining and Power Corporation*

On February 9, 2017, the Parent Company received a Special Order (SO) No. 2017-042, Series of 2017 from Department of Environment and Natural Resources-Environment Management Bureau (DENR-EMB) Region VI. The DENR Team that was created through the SO conducted monitoring, inspection and investigation of the following in relation to the Parent Company's activities in Semirara Island:

- Compliance to their ECC;
- Ambient Air and Water Monitoring of Semirara Island;
- Investigation of alleged reclamation of the Parent Company; and
- Livelihood and Community Status in Semirara Island.

In accordance with the SO, the DENR Team proceeded with the investigation, monitoring and inspection on February 9 and 10, 2017. On March 13, 2017, the DENR-EMB Region 6 provided the Parent Company with the results of the investigation without adverse findings in particularly the report noted that the Parent Company was very much compliant with its ECC conditions.

The Group is contingently liable with respect to certain taxation matters, 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.

Please see judgments and estimates in Note 3 and the related disclosures on allowance for doubtful accounts in Note 5.

31. 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, long-term debt and other noncurrent liabilities. 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
- Wholesale Electricity Spot Market (WESM) price risk - movement of WESM price for energy
- 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, 2017 and 2016.

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 versus export). 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):

	2017	2016
Domestic market	**33.51%**	41.08%
Export market	**66.49%**	58.92%

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, 2017 and 2016 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 one-year historical price movements in 2017 and 2016.

	Effect on income before income tax	
Change in coal price	2017	2016
Based on ending coal inventory		
Increase by 19% in 2017 and 35% in 2016	**₱182,728,821**	₱555,060,791
Decrease by 19% in 2017 and 35% in 2016	**(182,728,821)**	(555,060,791)
Based on coal sales volume		
Increase by 19% in 2017 and 35% in 2016	**₱2,814,557,292**	4,416,543,681
Decrease by 19% in 2017 and 35% in 2016	**(2,814,557,292)**	(4,416,543,681)

WESM Price Risk
This is the risk relating to the movement of WESM and its impact to the derivatives arising from the contract of differences discussed in Note 6.

The following table demonstrates the sensitivity to a reasonably possible change in WESM prices compared to the strike price of ₱4.25, with all variables held constant of the Group's income before taxes.

	2017
Increase by 4% in average WESM price	**(₱77,381)**
Decrease by 4% in average WESM price	**114,619**

Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debts with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain a balance of Peso-denominated and United States Dollar (US$)-denominated debts.

The following table shows the information about the Group's financial instruments that are exposed to cash flow (floating rate instrument) and fair value (fixed rate instrument) interest rate risks and presented by maturity profile:

		2017					
	Interest	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years	Carrying Value
Cash in banks and cash equivalents	`1.10% to 4.10%	₱8,465,849,568	₱–	₱–	₱–	₱–	₱8,465,849,568
Foreign long-term debt at floating rate							
$27.06 million loan (USD)	Floating rate to be repriced every 3 months	₱–	₱1,350,968,798	₱–	₱–	₱–	₱1,350,968,798
$23.95 million loan (USD)	Floating rate to be repriced every 3 months	1,196,006,613	–	–	–	–	1,196,006,613
$17.16 million loan (USD)	Floating rate to be repriced every 3 months	–	856,983,887	–	–	–	856,983,887
Peso long-term debt at floating rate							
₱2,985.06 million loan	PDST-F benchmark yield for 3-month treasury securities + 1.75%. Starting August 2015, PDST-R2 + 1.95%	–	–	–	738,928,137	2,246,135,935	2,985,064,072
₱1,837.50 million loan	Floating rate to be repriced every 3 month	656,250,000	525,000,000	525,000,000	131,250,000	–	1,837,500,000
₱1,400.00 million loan	Floating rate to be repriced every 3 months	–	–	1,400,000,000	–	–	1,400,000,000
₱750.00 million loan	Floating rate to be repriced every 3 months	–	–	750,000,000	–	–	750,000,000
Mortgage Payable at floating rate							
₱7,647.95 million loan	PDST-F + Spread or BSP Overnight Rate, whichever is higher	1,703,703,704	1,696,180,134	1,697,889,928	1,699,663,552	850,517,484	7,647,954,802
		₱3,555,960,317	₱4,429,132,819	₱4,372,889,928	₱2,569,841,689	₱3,096,653,419	₱18,024,478,172

		2016					
	Interest	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years	Carrying Value
Cash in banks and cash equivalents	1.38% to 2.75%	₱6,988,169,008	₱–	₱–	₱–	₱–	₱6,988,169,008
Foreign long-term debt at floating rate							
$27.06 million loan (USD)	Floating rate to be repriced every 3 months	₱–	₱–	₱1,345,286,774	₱–	₱–	₱1,345,286,774
$26.54 million loan (USD)	Floating rate to be repriced every 3 months	–	1,319,641,378	–	–	–	1,319,641,378
$17.16 million loan (USD)	Floating rate to be repriced every 3 months	–	–	853,379,509	–	–	853,379,509
Peso long-term debt at floating rate							
₱2,100.00 million loan	Floating rate to be repriced every 3 months	–	918,750,000	525,000,000	525,000,000	131,250,000	2,100,000,000
Mortgage Payable at floating rate							
₱9,345.56 million loan	PDST-F + Spread or BSP Overnight Rate, whichever is higher	1,703,703,704	1,694,769,741	1,696,418,247	1,698,128,281	2,550,539,036	9,343,559,009
₱127.88 million loan	PDST-F benchmark yield for 3-month treasury securities + 1.75%. Starting August 2015, PDST-R2 + 1.95%	127,880,183	–	–	–	–	127,880,183
		₱1,831,583,887	₱3,933,161,119	₱4,420,084,530	₱2,223,128,281	₱2,681,789,036	₱15,089,746,853

The following table demonstrates the sensitivity of the Group's income before tax to a reasonably possible change in interest rates on December 31, 2017 and 2016, with all variables held constant, through the impact on floating rate borrowings.

	Effect on Income Before Tax	
Basis points (in thousands)	**2017**	2016
+100	**(₱180,245)**	(₱166,897)
-100	**180,245**	166,897

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, 2017 and 2016 based on undiscounted contractual payments:

	2017					
	Less than 6 months	More than 6 months to 12 months	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years	Total
Assets						
Cash in banks and cash equivalents	₱8,465,849,568	₱–	₱–	₱–	₱–	₱8,465,849,568
Receivables						
Trade :						
Outside parties	5,573,272,183	545,381,932	–	–	3,541,205	6,122,195,320
Related parties	241,052,373	–	–	–	–	241,052,373
Others*	103,385,887	–	–	–	–	103,385,887
Financial asset at FVPL	30,811,362	51,352,271	51,430,195	30,535,524	55,538,651	219,668,003
Environmental guarantee fund	–	–	–	–	3,520,000	3,520,000
Total undiscounted financial assets	14,414,371,373	596,734,203	51,430,195	30,535,524–	62,599,856	15,155,671,151
Liabilities						
Trade and other payables						
Trade:						
Payable to suppliers and contractors	6,226,941,975	–	–	–	–	6,226,941,975
Related parties	1,610,123,194	–	46,231,575	–	–	1,656,354,769
Accrued expenses and other payables**	305,551,682	–	–	–	–	305,551,682
Long-term debt at floating rate* **						
$27.06 million loan (USD) with interest payable in arrears	11,946,842	11,946,842	1,362,915,640	–	–	1,386,809,324
$23.95 million loan (USD) with interest payable in arrears	1,203,525,518	–	–	–	–	1,203,525,518
$17.16 million loan (USD) with interest payable in arrearss	6,745,035	6,745,035	864,853,094	–	–	878,343,164
₱2,100.00 million loan with interest payable in arrears	429,121,875	297,871,875	595,743,750	595,743,750	148,935,938	2,067,417,188
₱1,400.00 million loan with interest payable in arrears	22,120,000	22,120,000	44,240,000	1,407,373,333	–	1,495,853,333
₱750.00 million loan with interest payable in arrears	14,812,500	14,812,500	29,625,000	772,218,750	–	831,468,750
PDST-F benchmark yield for 3-month treasury securities + 1.75%	984,252,581	969,121,069	1,892,847,602	1,832,321,555	2,634,995,992	8,313,538,799
PDST-F benchmark yield for 3-month treasury securities + 1.00%	–	–	–	–	3,760,546,354	3,760,546,354
Total undiscounted financial liabilities	10,815,141,202	1,322,617,321	4,836,456,661	4,607,657,388	6,544,478,284	28,126,350,856
Liquidity gap	₱3,599,230,171	(₱725,883,118)	(₱4,785,026,466)	(₱4,577,121,864)	(₱6,481,878,428)	(₱12,970,679,705)

**excludes advances for liquidation*
***excludes statutory liabilities*
****includes interest payable*

	2016					
	Less than 6 months	More than 6 months to 12 months	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years	Total
Assets						
Cash in banks and cash equivalents	₱6,988,169,008	₱–	₱–	₱–	₱–	₱6,988,169,008
Receivables						
Trade :						
Outside parties	5,017,276,112	461,258,830	–	–	3,541,205	5,482,076,147
Related parties	76,578,145	–	–	–	–	76,578,145
Others*	119,838,061	–	–	–	–	119,838,061
Environmental guarantee fund	–	–	–	–	3,520,000	3,520,000
Investment in sinking fund	68,716,379	–	–	–	–	68,716,379
Total undiscounted financial assets	12,270,577,705	461,258,830	–	–	7,061,205	12,738,897,740
Liabilities						
Trade and other payables						
Trade:						
Payable to suppliers and contractors	6,218,171,878	–	419,329,182	–	–	6,637,501,060
Related parties	2,983,409,739	–	423,813,611	–	–	3,407,223,350
Accrued expenses and other payables**	538,329,060	–	–	–	–	538,329,060
Short-term loans***	1,606,400,000	–	–	–	–	1,606,400,000
Long-term debt at floating rate***						
$27.06 million loan (USD) with interest payable in arrears	11,066,329	11,066,329	22,132,658	1,356,353,103	–	1,400,618,419
$26.54 million loan (USD) with interest payable in arrears	8,510,382	8,510,382	1,328,051,760	–	–	1,345,072,524
$17.16 million loan (USD) with interest payable in arrearss	6,754,926	6,754,926	13,509,851	861,260,255	–	888,279,958
₱2,100.00 million loan with interest payable in arrears	35,383,950	35,383,950	70,767,900	70,767,900	2,188,459,875	2,400,763,575
PDST-F benchmark yield for 3-month treasury securities + 1.75%	987,698,200	974,985,028	1,747,581,043	1,749,280,919	4,561,833,454	10,021,378,644
PDST-F benchmark yield for 3-month treasury securities + 1.00%	129,639,868	–	–	–	–	129,639,868
Total undiscounted financial liabilities	12,525,364,332	1,036,700,615	4,025,186,005	4,037,662,177	6,750,293,329	28,375,206,458
Liquidity gap	(₱254,786,627)	(₱575,441,785)	(₱4,025,186,005)	(₱4,037,662,177)	(₱6,743,232,124)	(₱15,636,308,718)

**excludes advances for liquidation*
***excludes statutory liabilities*
****includes interest payable*

Foreign currency risk
Majority of the Group's revenue are generated in Philippine peso, however, there are also significant export coal sales as well as capital expenditures are in US$.

The Group manages this risk by matching receipts and payments in the same currency and monitoring. Approximately, 66.49% and 56.92% of the Group's sales in 2017 and 2016, respectively, were denominated in US$ whereas approximately 18.98% and 21.08% of debts as of December 31, 2017 and 2016, 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, 2017		December 31, 2016	
	U.S. Dollar	**Peso Equivalent**	U.S. Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**$63,213,830**	**₱3,156,266,532**	$63,213,830	₱3,142,991,628
Trade receivables	**16,931,380**	**845,383,803**	17,693,667	879,729,123
Liabilities				
Trade payables	**(11,896,169)**	**(593,975,718)**	(14,874,729)	(739,571,526)
Long-term debt (including current portion)	**(68,174,630)**	**(3,403,959,298)**	(70,762,423)	(3,518,307,671)
Net exposure	**$74,411**	**₱3,715,319**	($4,729,655)	(₱235,158,446)

The exchange rates used were ₱49.93 to $1 and ₱49.72 to $1 in 2017 and 2016, 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) as of December 31, 2017 and 2016.

Reasonably possible change in the Philippine peso-US dollar exchange rate	Increase (decrease) in income before tax	
	2017	2016
₱2	**(₱5,026,764)**	(₱9,459,310)
(2)	**5,026,764**	9,459,310

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 (realized and unrealized) amounting to ₱392.45 million, ₱403.43 million and ₱300.06 million in 2017, 2016 and 2015, 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, however, due to the regulated environment that the Group operates in, collectability of financial assets is impacted by government regulations or actions.

The credit risk is concentrated to the following markets:

	2017	2016
Trade receivables - outside parties	**95.53%**	97.10%
Trade receivables - related parties	**3.00**	1.06
Others	**1.47**	1.84
	100.00%	100.00%

As of December 31, 2017 and 2016, the credit quality per class of financial assets is as follows:

	2017				
	Neither Past Due nor Impaired			**Past due and/or Individually Impaired**	
	Grade A	**Grade B**	**Substandard Grade**		**Total**
Cash in banks and cash equivalents	**₱8,465,849,568**	**₱–**	**₱–**	**₱–**	**₱8,465,849,568**
Receivables:					
Trade receivables - outside parties	**5,028,346,509**	**–**	**–**	**2,632,956,928**	**7,661,303,437**
Trade receivables - related parties	**222,300,706**	**–**	**–**	**18,751,667**	**241,052,373**
Others*	**61,290,215**	**–**	**–**	**5,815,359**	**67,105,574**
Financial asset at FVPL	**219,668,003**				**219,668,003**
Environmental guarantee fund	**3,520,000**	**–**	**–**	**–**	**3,520,000**
Total	**₱14,000,975,001**	**₱–**	**₱–**	**₱2,657,523,954**	**₱16,658,498,955**

**excludes advances to contractors*

	2016				
	Neither Past Due nor Impaired			Past due and/or Individually Impaired	
	Grade A	Grade B	Substandard Grade		Total
Cash in banks and cash equivalents	₱6,988,169,008	₱–	₱–	₱–	₱6,988,169,008
Receivables:					
Trade receivables - outside parties	4,382,455,693	–	–	2,638,576,685	7,021,032,378
Trade receivables - related parties	57,826,478	–	–	18,751,667	76,578,145
Others*	76,930,262	–	–	5,815,359	82,745,621
Environmental guarantee fund	3,520,000	–	–	–	3,520,000
Investment in sinking fund	68,716,379	–	–	–	68,716,379
Total	₱11,577,617,820	₱–	₱–	₱2,663,143,711	₱14,240,761,531

**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 banks in the Philippines in terms of resources and profitability. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency. Trade receivables - related parties are apportioned between Grade A and Past due and/or individually impaired. 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, 2017 and 2016, the aging analyses of the Group's past due and/individually impaired receivables presented per class are as follows:

	2017			
	Past Due but not Impaired		**Impaired**	
	45 Days and Less	**More than 45 Days**	**Financial Assets**	**Total**
Receivables				
Trade receivables - outside parties	**₱404,573,032**	**₱689,275,779**	**₱1,539,108,117**	**₱2,632,956,928**
Trade receivables - related parties	**–**	**18,751,667**	**–**	**18,751,667**
Others	**–**	**–**	**5,815,359**	**5,815,359**
Total	**₱404,573,032**	**₱708,027,446**	**₱1,544,923,476**	**₱2,657,523,954**

	2016			
	Past Due but not Impaired		Impaired	
	45 Days and Less	More than 45 Days	Financial Assets	Total
Receivables				
Trade receivables - outside parties	₱563,758,478	₱535,861,976	₱1,538,956,231	₱2,638,576,685
Trade receivables - related parties	–	18,751,667	–	18,751,667
Others	–	–	5,815,359	5,815,359
Total	₱563,758,478	₱554,613,643	₱1,544,771,590	₱2,663,143,711

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, 2017 and 2016.

	2017	2016
Interest-bearing loans	**₱18,024,478,172**	₱16,689,746,853
Total equity	**37,679,379,140**	34,286,311,249
Debt-to-equity ratio	**47.84%**	48.68%
EPS (Note 28)	**₱3.33**	₱2.82

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 Group considers short-term loans and long-term debt as 'interest-bearing loans' in determining debt-equity ratio.

The following table shows the components of the Group's capital as of December 31, 2017 and 2016:

	2017	2016
Total paid-up capital	**₱10,940,136,701**	₱7,744,277,411
Acquisition of treasury shares	**(487,919,538)**	(387,547,028)
Remeasurement losses on pension plan	**(86,238,763)**	(23,403,645)
Retained earnings - unappropriated	**18,013,400,740**	19,152,984,511
Retained earnings - appropriated	**9,300,000,000**	7,800,000,000
	₱37,679,379,140	₱34,286,311,249

32. 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.

Financial asset at FVPL
The fair value of the derivative was determined using the market data approach, Monte Carlo simulation valuation which is categorized within level 3 of the fair value hierarchy.

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, 2017 and 2016, interest rate ranges from 1.26% to 4.90% and 1.20% to 3.37%, respectively.

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

There has been no reclassification from Level 1 to Level 2 or 3 category as of December 31, 2017 and 2016.

33. Notes to Consolidated Statements of Cash Flow

Supplemental disclosure of noncash investing activities follows:

	2017	2016	2015
Depreciation capitalized as Mine properties, mining tools and other equipment (Note 10)	**₱–**	₱463,416,913	₱382,953,462
Depreciation capitalized as coal inventory (Note 10)	**273,405,238**	157,309,090	112,122,124
Transfer from Exploration and evaluation asset to Property, plant and equipment	–	4,947,746,319	–

Changes in liabilities and equity arising from financing activities

	January 1, 2017	Cash flows	Foreign exchange movement	Other	December 31, 2017
Short-term loans	₱1,600,000,000	(₱1,600,000,000)	₱–	₱–	₱–
Long-term debt	15,089,746,853	2,911,497,964	15,069,786	8,163,569	18,024,478,172
Dividend payable	614,187	(10,651,501,099)	–	10,652,864,300	1,977,388
Treasury shares	(387,547,028)	(100,372,510)	–	–	(487,919,538)
Total	₱16,302,814,012	(9,440,375,645)	₱15,069,786	₱10,661,027,869	₱17,538,536,022

Other changes in liabilities above includes the amortization of deferred financing costs and cash dividend declared by the Parent Company.

34. 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, wholesale electricity market and trading; and

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.

	2017 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱23,489,591	₱20,453,898	₱–	₱–	₱43,943,489
Inter-segment sales	6,177,652	–	–	(6,177,652)	–
	29,667,243	20,453,898	–	(6,177,652)	43,943,489
Cost of sales*	(11,636,080)	(9,125,500)	–	6,096,736	(14,664,844)
Depreciation and amortization	(3,504,435)	(2,164,203)	–	–	(5,668,638)
Gross profit	14,526,728	9,164,195	–	(80,916)	23,610,007
Operating expenses*	(4,978,463)	(2,304,386)	(22,194)	–	(7,305,043)
Depreciation	(21,721)	(880,265)	–	–	(901,986)
Operating profit	9,526,544	5,979,544	(22,194)	(80,916)	15,402,978
Other income	2,127,201	948,316	97	(2,000,000)	1,075,614
Finance income	51,469	44,697	231	–	96,397
Foreign exchange loss	(280,408)	(112,045)	–	–	(392,453)
Finance costs	(353,869)	(364,199)	–	–	(718,068)
Provision for income tax	30,028	1,225,283	17	–	1,255,328
Net income	₱11,040,909	₱5,271,030	(₱21,883)	(₱2,080,916)	₱14,209,140
Segment assets	₱42,104,629	₱44,887,733	₱39,884	(₱18,886,063)	₱68,146,183
Deferred tax assets	85,231	364,992	–	–	450,223
	₱42,189,860	₱45,252,725	₱39,884	(₱18,886,063)	₱68,596,406
Segment liabilities	₱8,519,709	₱6,043,241	₱180,135	(₱1,905,527)	₱12,837,558
Deferred tax liability	–	54,991	–	–	54,991
Long-term debt	7,391,459	10,633,019	–	–	18,024,478
	₱15,911,168	₱16,731,251	₱180,135	(₱1,905,527)	₱30,917,027
Cash flows arising from:					
Operating activities	₱12,995,509	₱5,375,103	(₱155,756)	(₱7,888)	₱18,206,968
Investing activities	(2,497,006)	(2,980,558)	156,069	(1,960,357)	(7,281,852)
Financing activities	(8,993,792)	(2,446,704)	31,875	1,968,245	(9,440,376)
Other disclosures					
Capital expenditures	₱4,301,913	₱2,081,671	₱–	₱–	₱6,383,584

**Excluding depreciation and/or amortization*

	2016 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱20,079,462	₱16,504,913	₱–	₱–	₱36,584,375
Inter-segment sales	4,077,155	–	–	(4,077,155)	–
	24,156,617	16,504,913	–	(4,077,155)	36,584,375
Cost of sales*	(11,565,489)	(7,728,597)	–	4,216,456	(15,077,630)
Depreciation and amortization	(1,452,763)	(2,170,628)	–	–	(3,623,391)
Gross profit	11,138,365	6,605,688	–	139,301	17,883,354
Operating expenses*	(3,204,037)	(1,737,740)	(300)	–	(4,942,077)
Depreciation	(20,932)	(35,858)	–	–	(56,790)
Operating profit	7,913,396	4,832,090	(300)	139,301	12,884,487
Other income	2,675,074	761,313	2,055	(2,500,000)	938,442
Finance income	40,910	42,284	45	–	83,239
Foreign exchange loss	(347,305)	(56,121)	–	–	(403,426)
Finance costs	(228,372)	(370,621)	–	–	(598,993)
Provision for (benefit from) income tax	58,214	804,896	(30)	–	863,080
Net income	₱9,995,489	₱4,404,049	₱1,830	(₱2,360,699)	₱12,040,669
Segment assets	₱41,131,197	₱44,531,792	₱163,763	(₱20,584,793)	₱65,241,959
Deferred tax assets	53,816	465,538	394	–	519,748
	₱41,185,013	₱44,997,330	₱164,157	(₱20,584,793)	₱65,761,707
Segment liabilities	₱9,518,662	₱10,439,221	₱157,951	(₱3,731,415)	₱16,384,419
Deferred tax liability	–	1,231	–	–	1,231
Long-term debt	5,618,308	9,471,439	–	–	15,089,747
	₱15,136,970	₱19,911,891	₱157,951	(₱3,731,415)	₱31,475,397
Cash flows arising from:					
Operating activities	₱9,585,160	₱6,811,400	₱30,031	(₱6,115)	₱16,420,476
Investing activities	(2,722,806)	(1,949,394)	(27,898)	(1,989,385)	(6,689,483)
Financing activities	(5,037,154)	(4,275,204)	–	1,995,500	(7,316,858)
Other disclosures					
Capital expenditures	₱3,134,107	₱3,032,163	₱–	₱–	₱6,166,270
Provision for inventory obsolescence	1,239	–	–	–	1,239

**Excluding depreciation and/or amortization*

	2015 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱11,781,825	₱12,898,346	₱–	₱–	₱24,680,171
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	₱6,754,523	₱3,317,938	(₱559)	(₱1,584,993)	₱8,486,909

(Forward)

	2015 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Segment assets	₱33,060,935	₱41,828,804	₱133,732	(₱18,401,978)	₱56,621,493
Deferred tax assets	109,969	425,225	351	–	535,545
	₱33,170,904	₱42,254,029	₱134,083	(₱18,401,978)	₱57,157,038
Segment liabilities	₱9,248,213	₱6,469,462	₱129,755	(₱2,142,083)	₱13,705,347
Long-term debt	3,215,734	13,334,874	–	–	16,550,608
	₱12,463,947	₱19,804,336	₱129,755	(₱2,142,083)	₱30,255,955
Cash flows arising from:					
Operating activities	₱6,544,367	₱4,623,663	₱29,785	(₱513,946)	₱10,683,869
Investing activities	(2,243,856)	(2,696,035)	(29,684)	(146,053)	(5,115,628)
Financing activities	(3,512,173)	(1,615,610)	–	660,000	(4,467,783)
Other disclosures					
Capital expenditures	₱3,367,945	₱2,430,231	₱–	₱–	₱5,798,176
Provision for inventory obsolescence	20,902	–	–	–	20,902

**Excluding depreciation and/or amortization*

Intersegment revenues, other income, cost and expenses are eliminated in the consolidation under adjustments and eliminations.

Segment assets exclude deferred tax assets amounting to ₱450.22 million, ₱519.75 million and ₱535.54 million in 2017, 2016 and 2015, respectively.

Significant noncash items charged to comprehensive income include loss on property, plant and equipment write-down and depreciation and amortization.

Capital expenditures consist of additions of property, plant and equipment, excluding reclassification of exploration and evaluation asset reclassified to 'Property, plant and equipment' in 2016.

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, 2017, 2016 and 2015 reviewed by the management follows:

	2017	2016	2015
Revenue:			
Local coal sales	**₱7,871,248,442**	₱5,742,358,094	₱5,862,246,658
Export coal sales	**15,618,342,110**	14,337,103,962	5,919,578,510
	₱23,489,590,552	₱20,079,462,056	₱11,781,825,168

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 from China.

All revenues from power are derived from the Philippine market.

35. **Other Matters**

a. Electric Power Industry Reform Act (EPIRA)

In June 2001, the Congress of the Philippines approved and passed into law R.A. No. 9136, otherwise known as the EPIRA, providing the mandate and the framework to introduce competition in the electricity market. EPIRA also provides for the privatization of the assets of NPC, including its generation and transmission assets, as well as its contract with Independent Power Producers (IPPs). EPIRA provides that competition in the retail supply of electricity and open access to the transmission and distribution systems would occur within three years from EPIRA's effective date. Prior to June 2002, concerned government agencies were to establish WESM, ensure the unbundling of transmission and distribution wheeling rates and remove existing cross subsidies provided by industrial and commercial users to residential customers. The WESM was officially launched on June 23, 2006 and began commercial operations for Luzon. The ERC has already implemented a cross subsidy removal scheme. The inter-regional grid cross subsidy was fully phased-out in June 2002. ERC has already approved unbundled rates for Transmission Company (TRANSCO) and majority of the distribution utilities.

Under EPIRA, NPC's generation assets are to be sold through transparent, competitive public bidding, while all transmission assets are to be transferred to TRANSCO, initially a government-owned entity that was eventually being privatized. The privatization of these NPC assets has been delayed and is considerably behind the schedule set by the DOE. EPIRA also created PSALM, which is to accept transfers of all assets and assume all outstanding obligations of NPC, including its obligations to IPPs. One of PSALM's responsibilities is to manage these contracts with IPPs after NPC's privatization. PSALM is also responsible for privatizing at least 70% of the transferred generating assets and IPP contracts within three years from the effective date of EPIRA.

In August 2005, the ERC issued a resolution reiterating the statutory mandate under the EPIRA law for the generation and distribution companies, which are not publicly listed, to make an initial public offering (IPO) of at least 15% of their common shares. Provided, however, that generation companies, distribution utilities or their respective holding companies that are already listed in the Philippine Stock Exchange (PSE) are deemed in compliance. SCPC was already compliant with this requirement given that the Parent Company is a publicly listed company.

WESM
With the objective of providing competitive price of electricity, the EPIRA authorized DOE to constitute an independent entity to be represented equitably by electric power industry participants and to administer and operate WESM. WESM will provide a mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity.

In addition, the DOE was tasked to formulate the detailed rules for WESM which include the determination of electricity price in the market. The price determination methodology will consider accepted economic principles and should provide a level playing field to all electric power industry participants. The price determination methodology was subject to the approval of the ERC.

In this regard, the DOE created Philippine Electricity Market Corporation (PEMC) to act as the market operator governing the operation of WESM. On June 26, 2006, WESM became operational in the Luzon grid and adopts the model of a "gross pool, net settlement" electricity market.

In 2017, the Board of PEMC has approved the transition plan for the creation of an independent market operator (IMO), paving the way for the state firm to finally relinquish control of the WESM.

On February 4, 2018, the DOE published Department Circular No. DC2018-01-0002, "Adopting Policies for the Effective and Efficient Transition to the Independent Market Operator for the Wholesale Electricity Spot Market". This Circular shall take effect immediately after its publication in two newspapers of general circulation and shall remain in effect until otherwise revoked. Pursuant to Section 37 and Section 30 of the EPIRA, jointly with the electric power participants, the DOE shall formulate the detailed rules for the wholesale electricity spot market. Said rules shall provide the mechanism for determining the price of electricity not covered by bilateral contracts between sellers and purchasers of electricity users. The price determination methodology contained in said rules shall be subject to the approval of ERC. Said rules shall also reflect accepted economic principles and provide a level playing field to all electric power industry participants.

b. 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.

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 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.

c. Competitive Selection Process (CSP)

On June 11, 2015, DOE Circular No. DC2015-06-0008, "Mandating All Distribution Utilities to Undergo CSP In Securing PSAs", was signed, requiring all DUs to conduct a CSP in procuring PSAs. The CSP shall be conducted by a qualified third party duly recognized by the DOE and ERC and, in the case of Electric Cooperatives (ECs), shall be recognized by the National Electrification Administration (NEA). The CSP shall conform with aggregation of DU's un-contracted demand requirement, annual conduct of CSP, and a uniform PSA Template on the terms and conditions to be issued by the ERC and DOE. The circular does not apply to PSAs with tariff rates already approved and/or have been applied for approval by the ERC before the effectivity of the circular. The DOE shall enforce and monitor compliance and the penalty provision through ERC.

On October 20, 2015, the DOE and ERC released Joint Resolution No. 1 (2015), "A Resolution Enjoining All Distribution Utilities to Conduct Competitive Selection Process (CSP) in the Procurement of Supply for Their Captive Market". The DOE and ERC recognize that CSP in the procurement of PSAs by the DUs engenders transparency, enhances security of supply, and ensure stability of electricity prices to captive electricity end-users in the long-term.

On the same day, the ERC signed Resolution No. 13, Series of 2015, "A Resolution Enjoining All Distribution Utilities to Conduct Competitive Selection Process (CSP) in the Procurement of Supply for Their Captive Market". The resolution prescribes that all PSAs shall be awarded to the winning Generation Company following a successful transparent CSP, or by Direct Negotiation in the event of two failed CSPs, and that DUs may adopt any accepted form of CSP. This resolution does not apply to PSAs already filed with the ERC as of its effectivity.

On March 15, 2016, the ERC released Resolution No. 1 Series of 2016, "A Resolution Clarifying the Effectivity of ERC Resolution No.13, series of 2015". The resolution postponed the effectivity of ERC Resolution No.13, Series of 2015 to April 30, 2016. All PSAs executed on or after the said date shall be required, without exception, to comply with the provisions of the CSP resolution. There should be at least two qualified bids for the CSP to be considered as successful and lastly, the DU shall adopt the Terms of Reference prescribed in Section 2 of ERC Resolution No. 13, Series of 2015. On PSA's with provisions on automatic renewal or extension of term, it shall apply that PSA's approved by ERC or filed before the effectivity of Resolution No. 1, may have one automatic renewal or extension for a period not exceeding one year from the end of their respective terms. There will be no automatic renewal or extension of PSAs upon effectivity of Resolution No. 1.

d. Retail Competition and Open Access (RCOA)

Under Section 31 of the Electric Power Industry Reform Act (EPIRA) of 2001, RCOA shall be implemented. In Retail Competition, the Contestable Market are provided electricity by Retail Suppliers through Open Access, wherein qualified Persons are allowed to use the Transmission, and/or Distribution Systems and their associated facilities. The implementation of RCOA is subject to the following conditions; a. Approval of the unbundled transmission and distribution wheeling charges; b. initial implementation of the cross subsidy removal scheme; c. Establishment of the WESM; d. Privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and e. Transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators.

Upon satisfying these conditions, the ERC declared December 26, 2012 as the Open Access Date where end-users who have an average monthly peak demand for the preceding 12 months, as indicated by a single utility meter, of at least 1MW (the threshold level) qualifies as Contestable Customers (CCs) making up the Contestable Market (Phase 1). After a six-month Transition Period, on June 26, 2013, Retail Supply Contracts (RSCs) entered into by and between the Ccs and their chosen Suppliers where implemented. Phase 2 implementation was set to begin two years after Phase 1. During Phase 2, the threshold level shall be reduced to 750 kW and Aggregators shall be allowed to supply electricity to End-users whose aggregate monthly average peak demand within a Contiguous Area is at least seven hundred fifty kilowatts (750 kW). Subsequently and every year thereafter, the ERC shall evaluate the performance of the market. On the basis of such evaluation, it shall gradually reduce the threshold level until it reaches the household demand level.

On May 12, 2016, ERC Resolution No. 10 (2016), "A Resolution Adopting the Revised Rules for Contestability", was signed. This revised rules aim to clarify and establish the conditions and eligibility requirements for End-users to be part of the Contestable Market; to set the threshold level for the Contestable Market; to ensure the efficient transition towards full contestability and to ensure consumer protection and enhance the competitive operation of the retail electricity market.

The Resolution states that the Threshold Reduction Date covering End-users with an average monthly peak demand of at least 750 kWfor the preceding 12 months, is set to June 26, 2016. Thus, on such date, all End-users with an average monthly peak demand of at least 1 MW (1MW Customers) and 750 kW (750kW Customers), which have been issued Certificates of Contestability by the ERC, shall be allowed to contract with any RES on a voluntary basis. Thereafter, an End-user with an average monthly peak demand of at least 1MW is hereby mandated to enter into RSC with a RES by its mandatory contestability date of December 26, 2016 (This was moved by the ERC to February 26, 2017 through ERC Resolution No. 28 (2016), "Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, series of 2016, entitled Revised Rules for Contestability" signed on November 15, 2016. Subsequently, an End-user with an average monthly peak demand of at least 750kW is hereby mandated to enter into an RSC with a RES by its mandatory contestability date of June 26, 2017. The lowering of the threshold to cover an end-user with an average monthly peak demand of at least 500kW is set on June 26, 2018, subject to the review of the performance of the retail market by the ERC. Corollary, in its review of the performance of the retail market, the ERC shall establish a set of criteria as basis for the lowering of the contestability threshold. Retail Aggregation shall subsequently be allowed on June 26, 2018. During this phase, suppliers of electricity shall be allowed to contract with end-users whose aggregate demand within a Contiguous Area is at least 750 kW. Retail Competition and Open Access shall be effective only in grids where the WESM is operational.

On February 21, 2017, the Supreme Court issued a Temporary Restraining Order (TRO), G.R. No. 228588, on the implementation of several ERC Resolutions and a DOE Circular concerning the RCOA. ERC Res 10 & 28, Series of 2016 were among them. In a joint advisory on February 24, 2017, the DOE, ERC and PEMC said that they are in a process of drafting a general advisory for the guidance of RCOA Stakeholders. Issues to be considered are: 1) those who have already executed RSCs and were already registered and switched shall continue to honor their respective RSCs; 2) ongoing applications for registration filed before the Central Registration Body (CRB) may proceed voluntarily; 3) applicants who wish to withdraw or defer their registration before the CRB may do so consistent with the Retail Market Rules provided that the CRB shall not be liable for any legal repercussions that may arise out of the contestable customers' contractual obligations; and 4) remaining contestable customers who have not yet secured their RSCs may continue to negotiate and exercise their power to choose.

e. Renewable Portfolio Standards (RPS)

The implementation of the RPS is an important development for the Renewable Energy (RE) Market, and impacts the public as a whole. Republic Act No. 9513 or the Renewable Energy Law gives both fiscal and non-fiscal incentives to investors in order to encourage the promotion and development of renewable energy in the Philippines. Toward this end, the RPS serves as a market-based policy mechanism which makes use of the RE Market to facilitate and commercialize trading in RE Certificates, the latter which are used to satisfy the RPS requirements and increases RE generation in the country.

On December 30, 2017, DOE Circular No. DC2017-12-0015, or the RPS On-Grid Rules, took effect, requiring DUs, electricity suppliers, generating companies supplying directly connected customers, and other mandated energy sector participants to source or produce a certain share of electricity from their Energy Mix from eligible RE resources. These eligible RE facilities include the following technologies: biomass, waste to energy technology, wind, solar, hydro, ocean, geothermal, and other RE technologies later identified by the DOE.

The RPS On-Grid Rules mandates energy sector participants to comply with the minimum annual RPS requirement in order to meet the aspirational target of thirty-five (35%) in the generation mix by 2030.

This minimum RE requirement, however, will not be imposed immediately but in 2020. The 2018 and 2019 years are considered transition years to help the mandated participants comply with the DOE Circular. Additionally, the RPS On-Grid Rules implements a Minimum Annual Incremental RE Percentage to be sold by mandated participants. It is initially set at a minimum of one percent (1%) and applied to net electricity sales or annual energy demand for the next ten years, and used to determine the current year's requirement for RE Certificates (RECs) of the Mandated Participant.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
Semirara Mining and Power Corporation
2/F DMCI Plaza
2281 Don Chino Roces Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Semirara Mining and Power Corporation and its subsidiaries (the Group) as at and for the years ended December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, included in this Form 17-A, and have issued our report thereon dated February 22, 2018. Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule No. 68, As Amended (2011) and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia
Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-AR-1 (Group A),
May 12, 2015, valid until May 11, 2018
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621337, January 9, 2018, Makati City

February 22, 2018

BUREAU OF INTERNAL REVENUE
APR 13 2018

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

- Report of Independent Auditor's on supplementary schedules
- Reconciliation of retained earnings available for dividend declaration (Part 1, 4C; Annex 68-C)
- Schedule of financial soundness indicators (Part 1, 4D)
- Supplementary schedules required by Annex 68-E

  Schedule A: Financial Assets

  Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholder (Other Than Related Parties)

  Schedule C: Amounts Receivables/Payables from/to Related Parties Which are Eliminated During the Consolidation of Financial Statements

  Schedule D: Intangible Assets

  Schedule E: Long Term Debt

  Schedule F: Indebtedness to Related Parties

  Schedule G: Guarantees of Securities of other Issuers

  Schedule H: Capital Stock

- Map of the relationships of the companies within the group (Part 1, 4H)
- Schedule of all the effective standards and interpretations (Part 1, 4J)

SEMIRARA MINING AND POWER CORPORATION

SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2017

Unappropriated Retained Earnings, beginning		₱10,915,461,425
Adjustments:		
Deferred tax asset that reduced the amount of income tax expense of prior periods		94,276,783
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)		(49,116,121)
Treasury shares		(387,547,028)
Unappropriated retained earnings, as adjusted to available for dividend distribution, as at December 31, 2016		10,573,075,059
Net income actually earned/realized during the period:		
Net income during the period closed to retained earnings	₱11,040,907,744	
Less: Non actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Deferred tax asset that increased the amount of income tax expense	(6,978,094)	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP-loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	(51,202,174)	
Net income actually earned during the period	10,982,727,476	
Add (Less):		
Cash dividend declarations during the period	(10,652,864,300)	
Stock dividend declarations during the period	(3,195,859,290)	
Appropriations of retained earnings during the period	(4,500,000,000)	
Reversals of appropriations	3,000,000,000	
Effects of prior period adjustments	–	
Treasury shares	–	(4,365,996,114)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		₱6,207,078,945

BUREAU OF INTERNAL REVENUE
APR 13 2018

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2017 and 2016:

Financial ratios		**2017**	2016
Current ratio	Current assets / Current liabilities	**1.69:1**	1.35:1
Quick ratio	Current assets less inventories / Current liabilities	**1.28:1**	1.01:1
Solvency ratio	Net income plus depreciation / Total liabilities	**0.67:1**	0.50:1
Debt to equity ratio	Interest-bearing loans / Total equity	**0.48:1**	0.49:1
Asset-to-equity ratio	Total assets / Total equity	**1.82:1**	1.92:1
Inventory turnover	Cost of sales / Average inventory	**3.60:1**	3.83:1
Accounts receivable turnover ratio	Net credit sales / Average accounts receivable	**7.23:1**	8.64:1
Interest rate coverage	Earnings before interest and taxes / Interest expense	**22.54:1**	22.54:1
Return on assets	Net income / Average total assets	**0.21:1**	0.20:1
Return on equity	Net income / Average total equity	**0.39:1**	0.39:1
Gross Margin ratio	Gross profit / Sales	**0.54:1**	0.49:1
Net profit margin ratio	Net income / Sales	**0.32:1**	0.33:1

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

DECEMBER 31, 2017

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued

NOT APPLICABLE

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2017

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

Not applicable. The Group's receivables from officers and employees pertain to ordinary purchases subject to usual terms, travel and expense advances and other transactions arising from the Group's ordinary course of business.

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2017

Name of Subsidiaries	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Sem-Calaca Power Corporation	₱3,365,541,289	₱4,789,454,064	(₱5,662,757,951)	₱–	₱2,492,237,402	₱–	₱2,492,237,402
Semirara Claystone, Inc.	157,705,568	22,136,534	–	–	179,842,102	–	179,842,102
Southwest Luzon Power Generation Corporation	147,756,502	1,465,035,487	(1,129,719,426)	–	483,072,563	–	483,072,563
Semirara Energy Utilities, Inc.	480,252	23,995	–	–	504,247	–	504,247
Southeast Luzon Power Generation Corporation	275,401	21,560	–	–	296,961	–	296,961
SEM - Cal Industrial Park Developers, Inc.	175,488	25,872	–	–	201,360	–	201,360
	₱3,671,934,500	₱6,276,697,512	(₱6,792,477,377)	₱–	₱3,156,154,635	₱–	₱3,156,154,635

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE D: INTANGIBLE ASSETS

DECEMBER 31, 2017

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Charged to other accounts	Other changes	Ending balance
Capitalized development costs	₱156,068,623	₱–	(₱156,068,623)	₱–	₱–	₱–
Software cost	9,228,509	9,948,827	(5,290,714)	–	–	13,886,622
	₱165,297,132	₱9,948,827	(₱161,359,337)	₱–	₱–	₱13,886,622

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
SCHEDULE E: LONG TERM DEBT
DECEMBER 31, 2017

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Maturity date	Number of periodic installments	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
Mortgage payable	₱11.50 million	PDST-F + Spread or BSP Overnight Rate, whichever is higher	Various quarterly maturities starting 2015 until 2022	Payable in twenty-five (27) equal consecutive quarterly installments commencing on November 24, 2015	₱1,703,703,704	₱5,944,251,098
Mortgage payable	₱9.60 million	PDST-F benchmark yield for 3-month treasury securities + 1.75%. Starting August 2015, PDST-R2 + 1.95%	Various quarterly maturities starting 2021 until 2024	Payable in twenty-five (25) equal consecutive quarterly installments commencing on May 2011	–	2,985,064,072
Bank loans	₱2,100.00 million	Floating rate to be repriced every 3 months based on 3-months "PDST-R2" plus a spread of one percent (1%)	Various quarterly maturities starting 2018 until 2021	Interest payable every 3 months, principal to be every 3 months	656,250,000	1,181,250,000
Bank loans	₱1,400.00 million	Floating rate to be repriced every 3 months based on 3-Months "PDST-R2" plus a spread of one-half of one percent (0.5%)	February 2020	Interest payable every 3 months, principal to be paid on maturity date	–	1,400,000,000
Bank loans	₱750.00 million	Floating rate to be repriced every 3 months	September 2020	Interest payable every 3 months, principal to be paid on maturity date	–	750,000,000
Bank loans	$27.06 million loan (USD)	Floating rate to be repriced every 3 months based on 3-months LIBOR plus a spread of 0.86%	June 2019	Interest payable every 3 months, principal to be paid on maturity date	–	1,350,968,798
Bank loans	$23.95 million loan (USD)	Floating rate to be repriced every 3 months based on the prevailing lending rates of Commercial Banking Group of The Hongkong and Shanghai Banking Corporation Limited (HSBC)	June 2018	Interest payable every 3 months, principal to be paid every 6 months	1,196,006,613	–
Bank loans	$17.16 million loan (USD)	Floating rate to be repriced every 3 months based on 3-months LIBOR plus a spread of 0.86%	July 2019	Interest payable every 3 months, principal to be paid on maturity date	–	856,983,887
					₱3,555,960,317	₱14,468,517,855

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2017

Name of related party	Balance at beginning of period	Balance at end of period
D.M. Consunji, Incorporated*	₱423,813,611	₱46,231,574

**this pertains to non current indebtedness to related parties*

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2017

Name of issuing entity of securities guaranteed by the company for which this statements is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE H: CAPITAL STOCK

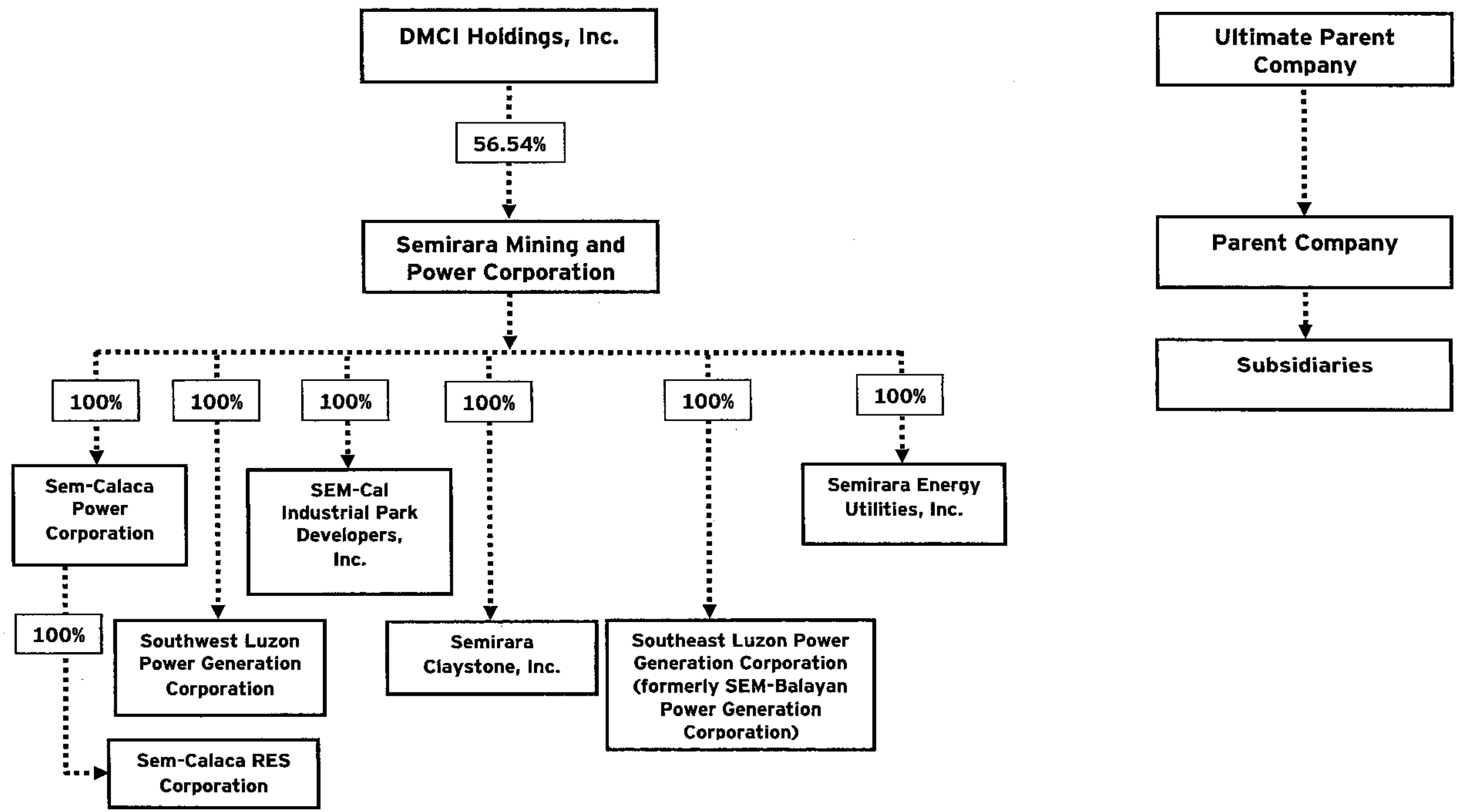
DECEMBER 31, 2017

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱ 1 par value	10,000,000,000	4,258,410,620	–	2,944,688,744	42,748,484	1,270,973,402

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2017



SEMIRARA MINING AND POWER CORPORATION

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below is the list of all effective Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2017**		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version): Hedge Accounting		✓	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9, Prepayment Features with Negative Compensation		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Investment Entities: Applying consolidation exceptions			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendment to PFRS 12: Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Presentation of financial statements disclosure initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Statement of Cash Flows, Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Investment Entities: Applying consolidation exceptions			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 28, Long-term interest in Associates & Joint Venture		✓	
	Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non - Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendments to PAS 40: Investment Property, Transfers of Investment Property		✓	
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✓		
IFRIC 21	Levies	✓		
IFRIC 22	Philippine Interpretation IFRIC-22: Foreign Currency Transactions and Advance Consideration		✓	
IFRIC 23	Uncertainty over Income Tax Treatments		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

Standards tagged as "Not applicable" have been adopted by the Group but have no significant covered transactions for the year ended December 31, 2017.

Standards tagged as "Not adopted" are standards issued but not yet effective as of December 31, 2017. The Group will adopt the Standards and Interpretations when these become effective.