

# COVER SHEET

0	0	0	0	0	0	0	0	9	1	4	4	7
---	---	---	---	---	---	---	---	---	---	---	---	---

SEC Registration Number

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

(Company's Full Name)

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

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

<b>John R. Sadullo</b>
------------------------

(Contact Person)

<b>888-3055</b>
-----------------

(Company Telephone Number)

1	2	3	1
---	---	---	---

(Fiscal Year)

2	0	-	I	S
---	---	---	---	---

(Form Type)

--	--	--	--

Month Day  
(Annual Meeting<sup>1</sup>)

--

(Secondary License Type, If Applicable)

<b>CFD</b>
------------

Dept. Requiring this Doc.

--

Amended Articles Number/Section

--

Total No. of Stockholders

Total Amount of Borrowings

--	--

Domestic Foreign

-----  
To be accomplished by SEC Personnel concerned

--	--	--	--	--	--	--	--	--	--	--	--

File Number

\_\_\_\_\_ LCU

--	--	--	--	--	--	--	--	--	--	--	--

Document ID

\_\_\_\_\_ Cashier

STAMPS
--------

Remarks: Please use BLACK ink for scanning purposes.

<sup>1</sup> First Monday of May of each year.

## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Dear Stockholders:

Please be notified that the Annual Meeting of Stockholders of Semirara Mining and Power Corporation (the "Corporation") will be held on **May 2, 2017, Tuesday at 10:00 o'clock in the morning at the Main Lounge, Manila Polo Club, Inc., McKinley Road, Forbes Park, Makati City, Philippines**, with the following agenda:

- 1) CALL TO ORDER & PROOF OF NOTICE OF MEETING
- 2) CERTIFICATION OF QUORUM
- 3) APPROVAL OF MINUTES OF PREVIOUS STOCKHOLDER'S MEETING HELD ON MAY 2, 2016
- 4) APPROVAL OF MANAGEMENT REPORT
- 5) RATIFICATION OF THE ACTS OF THE BOARD OF DIRECTORS AND MANAGEMENT FROM THE DATE OF THE LAST ANNUAL STOCKHOLDER'S MEETING UP TO THE DATE OF THIS MEETING
- 6) AMENDMENT OF THE ARTICLES OF INCORPORATION INCREASING THE AUTHORIZED CAPITAL STOCK FROM ₱3,000,000,000 TO ₱10,000,000,000
- 7) APPROVAL OF 300% STOCK DIVIDENDS AMOUNTING TO ₱3,195,859,290 OR THREE (3) COMMON SHARES FOR EVERY ONE (1) SHARE HELD TO BE ISSUED FROM THE INCREASE IN THE AUTHORIZED CAPITAL STOCK OF THE CORPORATION WITH DELEGATION TO THE PRESIDENT AUTHORITY TO DETERMINE THE RECORD AND PAYMENT DATES
- 8) APPROVAL OF RE-APPOINTMENT OF INDEPENDENT EXTERNAL AUDITOR
- 9) ELECTION OF DIRECTORS FOR 2017-2018
- 10) ADJOURNMENT

Stockholders of record as of **March 10, 2017** will be entitled to notice of, and vote at the said annual meeting or any adjournment or postponement thereof. Submission of proxies shall be no later than **April 21, 2017** and validation thereof on **April 26, 2017**, 4:00 o'clock in the afternoon at the office of the Corporation.

On the day of the meeting, you or your duly designated proxy is hereby required to bring this notice, proper authorization and forms of identification, i.e., driver's license, company, GSIS, SSS and the other valid identification to facilitate registration. Our registration starts at exactly 8:45 and closes at 9:45 o'clock in the morning.

Makati City, Metro Manila, February 23, 2017.



**JOHN R. SADULLO**  
Corporate Secretary  
*For the Board of Directors*

\*Semirara Mining and Power Corporation's Dividend Policy: Minimum of 20% of Net Profit After Taxes 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. On April 29, 2016 the Corporation declared cash dividend of Php4.00 with Record Date on May 17, 2016 and Payment Date on May 27, 2016.

**SEMIRARA MINING AND POWER CORPORATION**  
**Annual Stockholders' Meeting**  
**May 2, 2017, 10:00 A.M.**  
Main Lounge, Manila Polo Club, Inc.  
McKinley Road, Forbes Park, Makati City

**RATIONALE FOR EACH AGENDA FOR APPROVAL OF THE STOCKHOLDER AND  
PROFILE OF NOMINEES FOR DIRECTORS**

<b>Agenda</b>		<b>Rationale</b>
<b>Item No. 3</b>	Approval of the Minutes of previous meeting held on May 2, 2016.	Every Annual Stockholder's Meeting of the Corporation the minutes of previous meetings are presented to the stockholders for their approval.
<b>Item No. 4</b>	Approval of Management Report.	At every Annual Stockholder's Meeting of the Corporation, the Management of the Corporation presents to the stockholders for approval the results of its operations and financial performance of the Corporation for past year.
<b>Item No. 5</b>	Ratification of the acts of the Board of Directors and Management from the date of the last Annual Stockholders' Meeting up to the date of this Meeting.	At every Annual Stockholder's Meeting of the Corporation seeks ratification of the acts of the Board of Directors and Management. The resolutions of the Board are enumerated on Schedule 3 of its SEC Form 20-IS.
<b>Item No. 6</b>	Amendment to the Corporation's Articles of Incorporation (Article VII) increasing the authorized capital stock from PhP3,000,000,000.00 to PhP10,000,000,000.00.	The Board has determined that the increase is for the best interest of the Corporation. The additional authorized capital will be used to maximize equity funding for future investment/expansion of the business that the Board deems to be in the Corporation's best interest.
<b>Item No. 7</b>	Approval of 300% stock dividends amounting to PhP3,195,859,290.00 divided 3,195,859,290 shares at the par value of PhP1.00 per share or three (3) shares for every one common share held from the unrestricted retained earnings of the Corporation as of December 31, 2016 and to be issued from the increase in the authorized capital stock of the Corporation with authority to delegate to the President to fix the record and payment dates.	This goes hand-in-hand with the increase in the authorized capital stock of the corporation. The stock dividends shall be taken from the Unrestricted Retained Earnings of the Corporation as of December 31, 2016 and issued from the increase in the authorized capital stock to comply with the minimum paid-up capital required by law.
<b>Item No. 8</b>	Re-Appointment of SGV & Co. as Independent External Auditor.	Based on the Audit Committee's evaluation of SGV's performance, independence, qualifications and with due regard of management feedback.
<b>Item No. 9</b>	Election of Directors for 2017-2018.	
<b>Profile of Directors</b>		
<b>Profile Summary</b>		<b>Directorship in Listed Company</b>
<b>1. Isidro A. Consunji</b> , 68, Filipino, is a Director 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 Nomination & Election Committee, and Risk Committee, respectively. He is a graduate of B.S. Civil Engineering at the University of the Philippines. He holds a Master's Degree in Business Economics from the Center for		<ul style="list-style-type: none"> <li>• DMCI Holdings, Inc.</li> <li>• Crown Equities, Inc.</li> <li>• Atlas Consolidated Mining and Development Corp.</li> </ul>

<p>Research &amp; Communication, and Business Management from the Asian Institute of Management. He also took an Advanced Management from IESE School in Barcelona, Spain. He is also the Chairman &amp; CEO of SEM-Calaca Power Corporation, Semirara Claystone Inc., Semirara Energy Utilities Inc., SEM-Balayan Power Generation Corporation, Southwest Luzon Power Generation Corporation, SEM-Cal Industrial Park Developers Inc., and DMCI Mining Corporation. He is also the Chairman of St. Raphael Power Generation Corporation, and ENK Plc (U.K.); Vice-Chairman of DMCI Masbate Power Corporation; Director of Dacon Corporation, M&amp;S Company Inc., DMCI Projects Developers, Inc., Crown Equities, Inc. (<i>listed company</i>), Toledo Mining Corporation Plc (U.K.) Semirara Cement Corporation, Atlas Consolidated Mining and Development Corporation (<i>listed company</i>), Maynilad Water Services, Private Infra Dev Corp., and SEM-Calaca Res Corporation; and President of DMCI Holdings, Inc. (<i>listed company</i>). He was the former President of the Philippine Constructors Association and Philippine Chamber of Coal Mines, Inc. He is a Civil Engineer by profession.</p> <p><b>2016 Nomination &amp; Election Committee, Member</b>  <b>2016 Risk Committee, Member</b></p>	
<p><b>2. Victor A. Consunji</b>, 66, Filipino, is a Director since May 2001 and became the Vice-Chairman of the Board in November 2014. Currently, he serves as the President, Chief Operating Officer; and Member of the Audit Committee and Risk Committee, respectively. He is a graduate of A.B. Political Science at the Ateneo de Davao. He is also the President and COO of SEM-Calaca Power Corporation, Semirara Claystone Inc., Semirara Energy Utilities Inc., SEM-Balayan Power Generation Corporation, Southwest Luzon Power Generation Corporation, and SEM-Cal Industrial Park Developers Inc.; Chairman, President &amp; CEO of Semirara Training Center, Inc.; Chairman and CEO of DMCI Power Corporation; Chairman &amp; President of Sirawai Plywood &amp; Lumber Corp., and SEM-Calaca Res Corporation; Chairman of Divine Word School of Semirara Island, Inc.; Director of DMCI Holdings, Inc. (<i>listed company</i>), D.M. Consunji, Inc., M&amp;S Company, Inc., Dacon Corporation, Sodaco Agricultural Corporation, DMC Urban Property Developers, Inc., Ecoland Properties, Inc., DMCI Masbate Power Corporation, St. Raphael Power Generation Corporation, Checklink Holdings, Inc., and DMCI Mining Corporation; and President of Sirawai Plywood &amp; Lumber Corp.; and Vice-President of Dacon Corporation.</p>	<ul style="list-style-type: none"> <li>• DMCI Holdings, Inc.</li> </ul>

<b>2016 Audit Committee, Member</b> <b>2016 Risk Committee, Member</b>	
<p><b>3. Jorge A. Consunji</b>, 65, Filipino, is a Director since May 2001. He is a graduate of B.S. Industrial Management Engineering at the De La Salle University. He is also the Chairman of DMCI Masbate Power Corporation; and Director of DMCI Holdings, Inc. (<i>listed company</i>), Dacon Corporation, DMCI Project Developers, Inc., SEM-Calaca Power Corporation, Southwest Luzon Power Generation Corporation, Semirara Claystone Inc., Semirara Energy Utilities Inc., St. Raphael Power Generation Corporation, SEM-Balayan Power Generation Corporation, SEM-Cal Industrial Park Developers Inc., SEM-Calaca Res Corporation, Cotabato Timberland Co., Inc., M&amp;S Company, Inc., Sodaco Agricultural Corporation, DMCI Mining Corporation, DMCI Power Corporation, Eco-Process &amp; Equipment Phils. Inc., and Maynilad Water Services, Inc.; President &amp; COO of D.M. Consunji, Inc., and Royal Star Aviation, Inc.; and Vice-President of Divine Word School of Semirara Island, Inc. He was the former Chairman of the Board of Contech Panel Mfg., Inc., and of Wire Rope Corp. of the Philippines. He was the former President of ACEL and Former First Vice-President of Phil. Constructors Association.</p>	<ul style="list-style-type: none"> <li>• DMCI Holdings, Inc.</li> </ul>
<p><b>4. Cesar A. Buenaventura</b>, 87, Filipino, is a Director since May 2001. He graduated from the University of the Philippines with a degree of Bachelor of Science in Civil Engineering. He received his M.S. Civil Engineering as Fulbright Scholar at the Lehigh University, Bethlehem, Pennsylvania. In 1991, Mr. Buenaventura was made Honorary Officer of the Order of the British Empire (OBE) by Her Majesty Queen Elizabeth II. He is currently the Chairman of Maibarara Geothermal, Inc., and Vice-Chairman of Atlantic Gulf &amp; Pacific Company of Manila (AG&amp;P), DMCI Holdings, Inc. (<i>listed company</i>), and Montecito Properties, Inc. He is a director of DMCI Holdings, Inc., iPeople, Inc. (<i>listed company</i>), PetroEnergy Resources Corp. (<i>listed company</i>), AG&amp;P Company of Manila, Maibarara Geothermal, Inc., Montecito Properties, Inc., Pilipinas Shell Petroleum Corporation, Philippine American Life Insurance Company, and Manila International Airport Authority. He is the founding Chairman of Pilipinas Shell Foundation, Inc., and founding member of the Board of Trustees of the Makati Business Club. His former affiliations are: President of the Benigno S. Aquino Foundation; Member of the Board of Trustees of Asian Institute of Management; Chief Executive Officer of Shell Group of Companies; Member of the Monetary Board of the Central Bank of the Philippines; Member of the Board of Directors of the Philippine International Convention Center; Member of the Board of Regents of the</p>	<ul style="list-style-type: none"> <li>• DMCI Holdings, Inc.</li> <li>• PetroEnergy Resources Corporation</li> <li>• iPeople, Inc.</li> </ul>

<p>University of the Philippines. He was also a former director of Ayala Corporation, First Philippine Holdings Corporation, Philippine Airlines, Philippine National Bank, Benguet Corporation, Asian Bank, Ma. Cristina Chemical Industries, and Paysetter International Inc.</p>	
<p><b>5. Herbert M. Consunji</b>, 65, Filipino, is a Director since May 2001. He earned his degree of Bachelor of Science in Commerce Major in Accounting at De La Salle University. Currently, he is the Chairman, Subic Water &amp; Sewerage Corp.; Director of DMCI Holdings, Inc. (<i>listed company</i>), DMCI Power Corporation, DMCI Mining Corporation, SEM-Calaca Power Corp., Southwest Luzon Power Generation Corporation, Subic Water &amp; Sewerage Corp., SEM-Cal Industrial Park Developers Inc.; Vice-President &amp; CFO, DMCI Holdings, Inc.; and Treasurer of SEM-Calaca Res Corporation.</p>	<ul style="list-style-type: none"> <li>• DMCI Holdings, Inc.</li> </ul>
<p><b>6. Maria Cristina C. Gotianun</b>, 63, Filipino, is a Director of SMPC since May 2006 and currently serves as the Executive Vice President and member of the Remuneration &amp; Compensation Committee, Risk Committee, and Compliance Committee, respectively. She is a graduate of B.S. Business Economics at the University of the Philippines and majored in Spanish at the Instituto de Cultura Hispanica in Madrid, Spain. She is also a Director and Corporate Secretary of Dacon Corporation; Vice-President for Finance &amp; Administration/CFO of D.M. Consunji, Inc.; Finance Director of DMC-Project Developers, Inc.; Director and Treasurer of SEM-Calaca Power Corporation, Southwest Luzon Power Generation Corporation, Semirara Claystone Inc., Semirara Energy Utilities Inc., St. Raphael Power Generation Corporation, SEM-Balayan Power Generation Corporation, DMCI Power Corporation, DMCI Masbate Power Corporation, and SEM-Cal Industrial Park Developers Inc.; Director of Daveprime Holdings, Inc.; Assistant Treasurer of DMCI Holdings, Inc. (<i>listed company</i>); and a Trustee, CFO and Corporate Secretary of Divine Word School of Semirara Island, Inc.</p> <p><b>2016 Compensation &amp; Remuneration Committee, Member</b>  <b>2016 Risk Committee, Member</b>  <b>2016 Compliance Committee, Member</b></p>	
<p><b>7. Ma. Edwina C. Laperal</b>, 55, Filipino, is a Director since May 2007. She is a graduate of B.S. Architecture at the University of the Philippines, obtained her Master's Degree in Business Administration at the same University, and earned her Executive Certificate for Strategic Business Economics Program at the University of Asia &amp; The Pacific. She is currently a Director and Treasurer of Dacon Corporation, DMCI Holdings, Inc. (<i>listed company</i>), D.M. Consunji, Inc., DFC Holdings, Inc., and DMCI Project</p>	<ul style="list-style-type: none"> <li>• DMCI Holdings, Inc.</li> </ul>

<p>Developers, Inc.; Director and Vice-President of Artregard Holdings, Inc.; and Director of SEM-Calaca Power Corporation, and DMC Urban Property Developers, Inc.; She is a License Architect.</p>	
<p><b>8. Josefa Consuelo C. Reyes</b>, 69, is a Director since March 2015. She is a graduate of AB Economics at the University of British Columbia, Vancouver, Canada. She is currently the General Manager of Manila Herbal &amp; Essential Oils Co., Inc.; Corporate Secretary of the Philippine Coffee Board; Director and Chairperson of Ecology Village Association. She also worked as Vice-President/Director of Ecology Village Association. She also took Strategic Business Economics Program at the University of Asia and the Pacific in 2007.</p>	
<p><b>9. Luz Consuelo A. Consunji</b>, 63, Filipino. She is a graduate of Assumption College with a Bachelor's Degree in Commerce Major in Management. She also took her Master's Degree in Business Economics at the University of Asia and the Pacific. She is currently a Director DMCI Holdings, Inc. (<i>listed company</i>), South Davao Development Co., Zanorte Palm-Rubber Corp., and Dacon Corporation; and Treasurer of Missionaries of Mary Mother of the Poor. She was a Director of One Network Bank, and was also the Treasurer of Mary Mother of the Poor Foundation.</p>	<ul style="list-style-type: none"> <li>• DMCI Holdings, Inc.</li> </ul>
<p><b>10. Victor C. Macalincag</b>, 81, Filipino, is an Independent Director since May 2005 and currently serves as the Chairman of the Audit Committee and Compensation &amp; Remuneration; and Member of Nomination &amp; Election Committee, and Risk Committee, respectively. He is a holder of a Bachelor of Business Administration (BBA) degree from the University of the East and a Certified Public Accountant (CPA). He completed his academic requirements for a Masteral Degree in Economics and is a fellow of the Economic Development Institute of the World Bank. Currently, he is an Independent Director of Ceres Property Ventures, Inc., Crown Equities, Inc. (<i>listed company</i>), Republic Glass Holdings, Corporation (<i>listed company</i>), ISM Communications Corporation (<i>listed company</i>), Atok-Big Wedge Co., Inc. (<i>listed company</i>), Alphaland Corporation, and SEM-Calaca Power Corporation. He is also a regular Director of One Wealthy Nation Fund, Inc., and Asian Alliance Investment Corp.</p> <p>He was formerly the Undersecretary of Finance (1986-1991), Deputy Minister of Finance (1981-1986), Treasurer of the Philippines (1983-1987), President of Trade &amp; Investment Development Corporation of the Philippines (PHILEXIM) (1991-2001). He was also a director of the Home Guarantee Corporation (1979-2001), the Philippine Overseas Construction Board (1991-</p>	<ul style="list-style-type: none"> <li>• Crown Equities, Inc.</li> <li>• Republic Glass Holdings Corp.</li> <li>• ISM Communications Corp.</li> <li>• Atok-Big Wedge Co., Inc.</li> </ul>

<p>2001), the Philippine Long Distance Telephone Company (1988-1995), the National Power Corporation (1978-1986), Universal LRT-7 Corporation (2003-2010), and Philippine Deposit Insurance Corporation (1983-1991). He was Chairman of Pilipinas Bank (1984-1988) and Executive Vice-President of Land Bank of the Philippines (1981-1982). He was also a director of Philippine Aerotransport, Inc., Paper Industries Corporation of the Philippines, Lumang Bayan Realty Corporation, and Manila Midtown Development Corporation.</p> <p><b>2016 Audit Committee, Chairman</b>  <b>2016 Compensation &amp; Remuneration Committee, Chairman</b>  <b>2016 Nomination &amp; Election Committee, Member</b>  <b>2016 Risk Committee, Member</b></p>	
<p><b>11. Rogelio M. Murga</b>, 82, Filipino, is an Independent Director since November 2014, and also serves as the Chairman of the Nomination &amp; Election Committee, and a member of both Audit Committee and Compensation &amp; Remuneration Committees of SMPC. He graduated from the University of the Philippines with a Bachelor of Science degree in Mechanical Engineering in 1958. In 1980, he also completed his Senior Management Program at Harvard Business School in Vevey, Switzerland, and was conferred in 2004 an Honorary Degree of Doctor of Science – <i>Honoris Causa</i> by Feati University.</p> <p>Currently, he is the Chairman &amp; CEO of Private Infra Dev Corp. and an Independent Director of SEM-Calaca Power Corporation and Meralco Industrial Engineering Services Corp. His previous employment affiliation includes: President and Chief Executive Officer of the National Power Corporation; Director, President, Chief Operating Officer and eventually Vice-Chairman of EEI Corporation; President of Philippine Constructors Association; President of the International Federation of Asian and Western Pacific Contractors Association; Member of the Management Association of the Philippines; and finally as Chairman of the Committee on Engineering and Construction of the Philippine Chamber of Commerce and Industry. He was also a Consultant of DCCD Engineering Corporation and taught as Engineering Professor at the National University.</p> <p><b>2016 Audit Committee, Member</b>  <b>2016 Compensation &amp; Remuneration Committee, Member</b>  <b>2016 Nomination &amp; Election Committee, Chairman</b>  <b>2016 Risk Committee, Chairman</b></p>	



Republic of the Philippines}  
Makati City, Metro Manila} S.S.

## CERTIFICATION

I, **JOHN R. SADULLO**, of legal age, Filipino, with office address located at 2<sup>nd</sup> Floor, DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City, under oath, do hereby depose and state that:

1. I am the incumbent Corporate Secretary of **Semirara Mining and Power Corporation**, (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with the same office address above-mentioned;
2. As such, I am the custodian of, and have access to, the corporate minutes of meetings, books and records of the Corporation;
3. Based on available records with the Corporation none of the named directors and officers of the Corporation are working or connected with, directly or indirectly, with the Government; and
4. I am issuing this Certification to attest to the truthfulness of the information contained in the Corporation's Information Statement (SEC Form 20-IS) and in compliance with the requirement of the Securities and Exchange Commission.

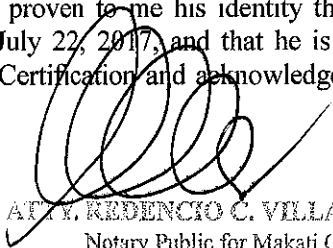
**IN ATTESTATION OF THE ABOVE**, I have signed this Certificate this 16<sup>th</sup> day of March 2017, at Makati City, Philippines.

  
**JOHN R. SADULLO**  
Corporate Secretary

MAR 20 2017

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

Doc. No. 152 ;  
Page No. 31 ;  
Book No. V1 ;  
Series of 2017.

  
**ATTY. REDENCIO C. VILLARIVERA**  
Notary Public for Makati City  
For the term ending 31 December 2017  
Roll No. 45335, Appointment No. M-296  
4<sup>th</sup> Flr., Dacon Building 2281  
Pasong Tamo Extension Makati City  
IBP No. 1063912/Jan. 12, 2017/Makati  
PTR No. 5926627/Jan. 12, 2017/Makati  
MCLE No. V-0024348, Nov. 7, 2016

**CERTIFICATION  
OF INDEPENDENT DIRECTOR**

I, **VICTOR C. MACALINCAG**, of legal age, Filipino, with address located at No. 31, Don Vicente Ave., Corinthian Gardens, Quezon City, after being duly sworn to in accordance with law do hereby declare that:

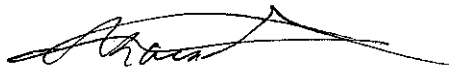
1. I am a nominee for independent director of Semirara Mining and Power Corporation (the "Corporation") and have been its independent director since May 2005.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Crown Equities, Inc.*	Independent Director	2003 to present
SEM-Calaca Power Corporation	Independent Director	2011 to present
Republic Glass Holdings Corporation*	Independent Director	2007 to present
Ceres Property Ventures, Inc.	Independent Director	2011 to present
ISM Communications Corporation*	Independent Director	2012 to present
Atok-Big Wedge Co., Inc.*	Independent Director	2012 to present
One Wealthy Nation Fund, Inc.	Director	2012 to present
Asian Alliance Investment Corp.	Director	2013 to present
Alphaland Corporation	Independent Director	2014 to present

\* listed company

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
5. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
6. That I shall inform the Corporate Secretary of the Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

Done on this 16<sup>th</sup> day of March 2017, Makati City, Metro Manila, Philippines.



**VICTOR C. MACALINCAG**  
Affiant

**SUBSCRIBED AND SWORN**, to before me on this MAR 20 2017 day of March 2017, at Makati City, Metro Manila, by Victor C. Macalincag who has satisfactory proven to me his identity through his Philippine Passport with Passport No. P0429849A valid until September 29, 2021, and that he is the same person who personally signed before me the foregoing Certification and acknowledged that he executed the same.

Doc. No. 157 ;  
Page No. 51 ;  
Book No. V1 ;  
Series of 2017.

**ATTY. RENELCIO C. VILLARIVERA**  
Notary Public for Makati City  
For the term ending 31 December 2017  
Roll No. 45335, Appointment No. M-296  
4<sup>th</sup> Flr., Dacon Building 2281  
Pasong Tamo Extension Makati City  
IBP No. 1063912/Jan. 12, 2017/Makati  
PTR No. 5926627/Jan. 12, 2017/Makati  
MCLE No. V-0024348, Nov. 7, 2016

**CERTIFICATION  
OF INDEPENDENT DIRECTOR**

I, **ROGELIO M. MURGA**, of legal age, Filipino, with address located at No. 5 Kalaw, Miranila Homes, Brgy. Pasong Tamo, Quezon City, after being duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Semirara Mining and Power Corporation (the "Corporation") and have been its independent director since November 2014.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Private Infra Dev Corporation	Chairman and CEO	2009 – Present
Meralco Industrial Engineering Services Corp.	Independent Director	2007 – Present
SEM-Calaca Power Corporation	Independent Director	2015 – Present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
5. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
6. That I shall inform the Corporate Secretary of the Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

Done on this 16<sup>th</sup> day of March 2017, Makati City, Metro Manila, Philippines.

  
**ROGELIO M. MURGA**  
Affiant

**SUBSCRIBED AND SWORN** to before me on this MAR 20 2017 day of March 2017, affiant exhibited to me his Philippine Passport with No. EC3766038 and will expire on March 22, 2020 bearing his photograph and signature, and that he is the same person who personally signed before me the foregoing Certification and acknowledged that he executed the same.

Doc. No. 150 ;  
Page No. 30 ;  
Book No. VI ;  
Series of 2017.

**ATTY. REDENCIO C. VILLARIVERA**  
Notary Public for Makati City  
For the term ending 31 December 2017  
Roll No. 45335, Appointment No. M-296  
4<sup>th</sup> Flr., Dacon Building 2281  
Pasong Tamo Extension Makati City  
IBP No. 1063912/Jan. 12, 2017/Makati  
PTR No. 5926627/Jan. 12, 2017/Makati  
MCLE No. V-0024348, Nov. 7, 2016

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS  
INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

1. Check appropriate box  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Corporation as specified in its charter: **Semirara Mining and Power Corporation**
3. Province, Country, or other jurisdiction of incorporation or organization: **Philippines**
4. SEC Identification No.: **91447**
5. BIR Tax Identification No.: **000-190-324-000**
6. Address of Principal office: **2/F DMCI Plaza, 2281 Don Chino Roces Ave., Makati City, Philippines**
7. Corporation's telephone number, including area code: **(2) 888-3000, 816-7301 to 10**
8. Date, time and place of meeting of Security Holders: **May 2, 2017, 10:00 A.M., Main Lounge, Manila Polo Club, Inc., McKinley Rd., Forbes Park, Makati City 1220, Philippines**
9. Approximate Date on which the Information Statement is to be sent or given to Security Holders: **April 5, 2017**
10. **In case of Proxy Solicitations:**  
**Name of Person Filing the Statement/Solicitor: The Management of the Corporation**  
**Address and Telephone No.: 2/F DMCI Plaza**  
**2281 Don Chino Roces Ave., Makati City, Philippines**  
**(632) 888-3000/816-7301 to 10**
11. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code or Sections 4 and 9 of the Revised Securities Act:
 

Title of Each Class	Number of Shares of Stock
<b>Common Shares</b>	<b>1,068,750,000<sup>1</sup></b>
12. Are any or all of Corporation's securities listed with the Philippine Stock Exchange?  
 Yes  No   
 Listed at Philippine Stock Exchange: **Common Shares**

---

<sup>1</sup> 3,463,570 are treasury shares.

**SEMIRARA MINING AND POWER CORPORATION  
SEC FORM 20-IS**

**TABLE OF CONTENTS**

Part I - INFORMATION REQUIRED IN THE INFORMATION STATEMENT -----	4
A. General Information -----	4
Item 1. Date, Time and Place of Meeting -----	4
Item 2. Dissenter's Right of Appraisal -----	4
Item 3. Interest of Certain Persons or Opposition -----	4
B. Control and Compensation Information -----	5
Item 4. Voting Securities and Principal Holders -----	5
a. Outstanding Shares -----	5
b. Record Date -----	5
c. Items for Stockholders' Approval -----	5
d. Security Ownership of Certain Record -----	5
e. Security Ownership of Management -----	6
f. Voting Trust Holders of 5% or more -----	6
g. Changes in Control -----	6
h. Certain Relationship and Related Transactions -----	6
Item 5. Directors and Executive Officers -----	9
a. Names, Ages and Citizenship -----	9
1 Directors -----	9
2 Executive Officers -----	10
b. Term of Office -----	11
c. Independent Directors -----	11
d. Other Directorship Held in Reporting Companies -----	11
e. Family Relationship -----	11
f. Legal Proceedings -----	11
g. Significant Employees -----	12
Item 6. Compensation of Directors and Executive Officers -----	13
a. Compensation of Directors and Executive Officers -----	13
b. Employment Contracts, Compensatory Plan or Arrangement -----	13
c. Stock Warrants or Options -----	13
Item 7. Independent Public Accountant -----	14
C. Issuance and Exchange of Securities -----	14
D. Other Matters -----	14
Item 8. Summary of Matters to be Submitted to Stockholders for Approval -----	14
a. Approval of Previous Minutes of Meeting -----	14
b. Approval of Management Report -----	14
c. Ratification of Corporate Acts -----	14
d. Approval of Amendment to Article VII of Articles of Incorporation -----	14
e. Approval of 300% Stock Dividends -----	15
f. Re-appointment of an Independent External Auditor -----	15
g. Election of Directors -----	15
Item 9. Voting Procedures -----	15
Item 10. Market for Registrant's Common Equity -----	16

PART II - PROXY FORM -----	16
PART III - SIGNATURE -----	19

SCHEDULES

Schedule 1 (Beneficial Ownership of Principal Stockholder) -----	20
Schedule 2 (List of Candidates) -----	20
Schedule 3 (2016 Summary of Board Acts and Resolutions) -----	25

ATTACHMENTS

NOTICE OF ANNUAL STOCKHOLDERS' MEETING  
PROXY FORM  
MANAGEMENT REPORT

## **PART I.**

### **INFORMATION REQUIRED IN INFORMATION STATEMENT**

#### **A. GENERAL INFORMATION**

##### **Item 1. Date, Time and Place of Meeting**

The enclosed Information Statement will be used in connection with the annual meeting of the stockholders of Semirara Mining and Power Corporation (the “Corporation” or “SMPC”) to be held on **May 2, 2017, at 10:00 A.M., Main Lounge, Manila Polo Club, Inc., McKinley Rd., Forbes Park, Makati City 1220, Philippines.**

The Definitive Information Statement will be sent to the stockholders of record as of March 10, 2017 (the “Record Date”) at least fifteen (15) business days prior to May 2, 2017 or not later than April 5, 2017. The matters to be considered and acted upon at such meeting are referred to in the Notice and are more fully discussed in this statement. SMPC’s complete mailing address is at **2<sup>nd</sup> Floor, DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City, Philippines.**

##### **Item 2. Dissenter’s Right of Appraisal**

Pursuant to Sec. 81, BP 68 (Corporation Code of the Philippines), a stockholder has the right to dissent and demand payment of the fair value of his shares in the following instances:

- (a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any shares of any class, or of extending or shortening the term of corporate existence.
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code;
- (c) In case the corporation decides to invest its funds in another corporation or business outside of its primary purpose; and
- (c) In case of merger or consolidation.

A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. The procedure for the exercise by a dissenting stockholder of his appraisal right is as follows:

- (a) The dissenting stockholder shall make a written demand on the corporation within 30 days after the date on which the vote was taken for payment for the fair value of his shares. The failure of the stockholder to make the demand within 30 day period shall be deemed a waiver on his appraisal right;
- (b) If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of corresponding certificate(s) of stock within 10 days after demanding payment for his shares (Sec. 86, BP 68), the fair value thereof; and
- (c) Upon payment of the agreed or awarded price, the stockholder shall transfer his share to the corporation.

Appraisal right is not available for any items of the agenda for the May 2, 2017 stockholders’ meeting.

##### **Item 3. Interest of Certain Persons in or Opposition to Matters to be acted upon**

Other than election to office, no director, officer, nominee for election as director or associate of any of the foregoing have a substantial interest, direct or otherwise, in any matter to be acted upon at the annual stockholders’ meeting.

No director has informed SMPC that he/she intends to oppose any action to be taken up by SMPC at the annual stockholders’ meeting.

## B. CONTROL AND COMPENSATION INFORMATION

### Item 4. Voting Securities and Principal Holders Thereof

- (a) As of March 10, 2017 SMPC has 1,065,286,430 outstanding common shares.
- (b) The Board of Directors of SMPC has set March 10, 2017, as the record date (the “Record Date”) to determine the stockholders entitled to notice of and to vote at the annual stockholders’ meeting scheduled on May 2, 2017. SMPC’s outstanding shares are all classified as common shares. Below is the equity ownership of foreigners in SMPC:

Location of Stockholders	No. of Stockholders	%	No. of Shares	%
China	7	1.01	94,390	0.00
United Kingdom	1	0.14	450	0.00
Others <sup>2</sup>	1	0.14	92,117,212	8.65

- (c) At the annual stockholders’ meeting to be held on May 2, 2017, the holders of common shares as of the Record Date shall be entitled to vote on the following items, each share of outstanding common stock shall be entitled to one (1) vote: (i) approval of the minutes of the previous meeting of stockholders; (ii) approval of the Management Report; (iii) ratification of the acts of the Board of Directors and Management from the date of the last annual stockholder’s meeting up to the date of this meeting; (iv) approval of the amendment to the articles of incorporation increasing the authorized capital from PhP3,000,000,000.00 to PhP10,000,000,000.00; (v) approval of 300% stock dividends amounting to PhP3,195,859,290.00 or three (3) common shares for every one (1) common share held to be issued from the increase in the authorized capital stock of SMPC and with delegation to the president authority to determine the record and payment dates; and (vi) re-appointment of the independent external auditor.

In the election of directors, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of common shares of stock standing in his name as of Record Date. A stockholder entitled to vote may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of SMPC multiplied by the whole number of directors to be elected. No discretionary authority to cumulate votes is being solicited.

- (d) **Security Ownership of Certain Record and Beneficial Owners and Management.** - The following table sets forth as of March 10, 2017, the record or beneficial owners of more than five percent (5%) of the outstanding common shares of SMPC 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 of more than 5% and Relationship with Record Owner	Citizenship	Amount/ Nature of Record/ Beneficial Ownership	Percent of Class
Common	DMCI Holdings, Inc. 3/F Dacon Bldg, 2281 Don Chino Roces Ave., Makati City, stockholder of record <sup>3</sup>	<i>See Schedule 1</i>	Filipino	601,942,599	56.51%
Common	PCD Nominee Corp.	No stockholders owning	Filipino	160,284,673	15.05%

<sup>2</sup> PCD Nominee Corp. (Foreign) as stated under Item 4(d) below.

<sup>3</sup> Messrs. David M. Consunji, Isidro A. Consunji, Herbert M. Consunji and Cesar A. Buenaventura shall exercise the voting rights in behalf of DMCI Holdings, Inc.



	(Filipino), stockholder of record	5% or more under PCD Nominee Corp. (Filipino)			
Common	Dacon Corporation, Dacon Bldg., 2281 Don Chino Roces Ave., Makati City, stockholder of record <sup>4</sup>	<i>See Schedule 1</i>	Filipino	134,071,732	12.58%
Common	PCD Nominee Corp. (Non-Filipino), stockholder of record	No stockholders owning 5% or more under PCD Nominee Corp. (Foreign)	Foreign	92,117,212	8.65%

(e) **Security Ownership of Management.** - The table sets forth as of March 10, 2017 the beneficial stock ownership of each director of SMPC and all officers and directors as a group.

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership			Citizenship	%
		Direct	Indirect <sup>5</sup>	Total		
Common	Isidro A. Consunji	6,036	1,169,918	1,175,954	Filipino	0.11
Common	Cesar A. Buenaventura	18,030	-	18,030	Filipino	0.00
Common	Victor A. Consunji	36	2,964,724	2,964,760	Filipino	0.28
Common	Jorge A. Consunji	36	433,089	433,125	Filipino	0.04
Common	Herbert M. Consunji	32,280	-	32,280	Filipino	0.00
Common	Victor C. Macalincag	808,890	19,100	827,990	Filipino	0.08
Common	Rogelio M. Murga	10,010	-	10,010	Filipino	0.00
Common	Maria Cristina C. Gotianun	357	1,737,943	1,738,300	Filipino	0.16
Common	Ma. Edwina C. Laperal	1,047	1,435,682	1,436,682	Filipino	0.13
Common	Josefa Consuelo C. Reyes	103,100	346,800	449,900	Filipino	0.04
Common	Jaime B. Garcia	144,108	-	144,108	Filipino	0.01
Common	Nena D. Arenas	4,000	-	4,000	Filipino	0.00
Common	Antonio R. Delos Santos	15,000	-	15,000	Filipino	0.00
Common	Jose Anthony T. Villanueva	750	13,890	14,640	Filipino	0.00
Common	Sharade E. Padilla	3,600	270	3,870	Filipino	0.00
Common	Ruben P. Lozada	118,800	-	118,800	Filipino	0.01
Aggregate Ownership of all directors and officers as a group		<b>1,266,080</b>	<b>8,121,416</b>	<b>9,387,496</b>	Filipino	0.88

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

- (f) **Voting trust holders of five percent (5%) or more.** - There are no voting trust agreements or any other similar agreement which may result in a change in control of SMPC of which SMPC has any knowledge.
- (g) **Changes in Control.** - From May 2, 2016 to date, there has been no change in control in the Management of SMPC.
- (h) **Certain Relationship and Related Transactions.** - In 2016, Related Party Transactions are ordinary and normal in the course of business and did not include financial assistance or loans to affiliates or related entities which are not wholly-owned subsidiaries. Note 19 of the attached Audited Consolidated Financial Statements for the period ended December 31, 2016 indicate significant transactions with related parties. Below are the descriptions of said transactions:

	2016			
	Amount/Volume	Receivable (Payable)	Terms	Conditions
<u>Trade receivables (Note 5)</u>				
<i>Entities under common control</i>				
a.) Transfer of materials, services and reimbursement of	<b>₱32,118,987</b>	<b>₱76,578,145</b>	<b>non-interest bearing, due and demandable</b>	<b>Unsecured, no impairment</b>

<sup>4</sup> Mr. Victor A. Consunji, Jorge A. Consunji and Ms. Maria Cristina C. Gotianun shall exercise the voting rights in behalf of Dacon Corporation.

<sup>5</sup> 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.

2016				
	Amount/Volume	Receivable (Payable)	Terms	Conditions
shared expenses				
<b>Advances to suppliers - current (Note 8)</b>				
<i>Entities under common control</i>				
c) Construction and outside services	P165,442,477	P234,206,485	non-interest bearing, recoupment through monthly and final billings	Unsecured, no impairment
<b>Trade payables (Note 15)</b>				
<i>Entities under common control</i>				
a.) Reimbursement of shared expenses	P-	(P44,705)	30 days, non-interest bearing	Unsecured
d.) Operation and maintenance fees	362,640,742	(P21,704,777)	30 days, non-interest bearing	Unsecured
e.) Coal handling services	596,877,187	(109,561,084)	30 days, non-interest bearing	Unsecured
f.) Mine exploration and hauling services	1,437,260,355	(751,942,643)	30 days, non-interest bearing	Unsecured
g.) Construction and other outside services	971,238,050	(1,640,659,137)	30 days for monthly billings and portion after expiration of, retention period, non-interest bearing	Unsecured
h.) Purchases of office supplies and refreshments	-	(1,500)	30 days, non-interest bearing	Unsecured
i.) Office, parking and warehouse rental expenses	8,485,610	(1,902,754)	30 days, non-interest bearing	Unsecured
j.) Aviation services	-	(12,725,108)	30 days, non-interest bearing	Unsecured
k.) Arrastre and Cargo Services	1,905,527	(1,666,049)	30 days, non-interest bearing	Unsecured
l.) Retention payable	15,780,000	(443,201,982)	30 days, non-interest bearing	Unsecured
	<b>P3,394,187,471</b>	<b>(P2,983,409,739)</b>		
<b>Other noncurrent liabilities (Note 12)</b>				
<i>Entities under common control</i>				
l.) Retention payable	P152,468,242	(P423,813,611)	non-interest bearing	Unsecured
2015				
	Amount/Volume	Receivable (Payable)	Terms	Conditions
<b>Trade receivables (Note 5)</b>				
<i>Entities under common control</i>				
a.) Transfer of materials, services and reimbursement of shared expenses	P40,923,381	P68,830,272	non-interest bearing, due and demandable	Unsecured, no impairment
<b>Advances to suppliers - current (Note 8)</b>				
<i>Entities under common control</i>				
b.) Deposit for services	P42,267,857	P42,267,857	non-interest bearing, due and demandable	Unsecured, no impairment
c) Construction and outside services	659,749,677	756,442,697	non-interest bearing, recoupment through monthly and final billings	Unsecured, no impairment
	P702,017,534	P798,710,554		
<b>Trade payables (Note 15)</b>				
<i>Entities under common control</i>				
a.) Reimbursement of shared expenses	P702,141	(P702,141)	30 days, non-interest bearing	Unsecured
d.) Operation and maintenance fees	324,000,000	(39,271,558)	30 days, non-interest bearing	Unsecured
e.) Coal handling services	370,324,932	(101,740,918)	30 days, non-interest bearing	Unsecured
f.) Mine exploration and hauling services	916,403,369	(1,340,292)	30 days, non-interest bearing	Unsecured
(Forward)				
g.) Construction and other outside services	1,783,916,987	(1,220,909,110)	30 days for monthly billings and portion after expiration of retention period, non-interest bearing	Unsecured
h.) Purchases of office supplies	6,645,198	(700,418)	30 days, non-interest bearing	Unsecured

	2016		Terms	Conditions
	Amount/Volume	Receivable (Payable)		
and refreshments			non-interest bearing	
i.) Office, parking and warehouse rental expenses	7,990,559	(2,104,480)	30 days,	Unsecured
j.) Aviation services	246,589	(12,725,108)	non-interest bearing	Unsecured
k.) Arrastre and Cargo Services	773,840	(773,840)	30 days,	Unsecured
l.) Retention payable	720,647	(3,608,370)	non-interest bearing	Unsecured
	<b>₱3,411,724,262</b>	<b>(₱1,383,876,235)</b>		

Other noncurrent liabilities (Note 12)

<i>Entities under common control</i>				
l.) Retention payable	₱73,332,374	(₱1,498,829,715)	non-interest bearing	Unsecured

1. Services rendered, deliveries of goods and reimbursement of expenses advanced by the Group. This includes contracted services, share in rental expenses, office materials and supplies and maintenance and renewal expenses of information systems.

All outstanding balances from subsidiary and affiliates are included in receivables under 'Trade receivable - related parties' in the consolidated statements of financial position

2. The Group made advances to DMCI Consunji, Inc. (DMCI) for the ongoing construction project for which the balance is included in 'Advances to suppliers' account (see Note 8).
3. DMCI was engaged by SLPGC in the construction of the 2x150MW coal-fired power plant. Billings of DMCI was charged to 'Construction in progress' account. As of December 31, 2016 and 2015, advances to contractors amounting ₱234.21 million and ₱756.44 million is classified under 'Advances to suppliers and others' in the consolidated statements of financial position (see Note 8). These advances are recouped through monthly and final billings as the work progresses.
4. 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 statement of financial position (see Note 15).
5. 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 15).

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. While for SCPC this are included in the 'Cost of energy sales'. The outstanding balance are included in the 'Trade payable - related parties' account in the consolidated statements of financial position (see Note 15).

6. 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 21).

DMC-CERI also provides the Parent Company marine vessels for use in the delivery of coal to its various customers. The coal freight billing is on a per metric ton basis plus demurrage charges for delays in loading and unloading of coal cargoes. Expenses incurred for these services are included in cost of sales under 'Hauling and shiplading costs' in the consolidated statements of comprehensive income (see Note 21).

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 21).

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 15).

7. The Parent Company contracted DMCI for the construction of its 1 x 15 MW Power Plant located at Semirara Island and the construction of SLPGC’s 2 x 150 MW coal-fired 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 15).
8. The Group engaged Prominent Fruits, Inc. and Sirawi Plywood & Lumber Corp. to supply various raw materials, office supplies and refreshments. The outstanding balance to Prominent Fruits, Inc. and Sirawai Plywood & Lumber Corp. is lodged in trade and other payables under ‘Trade payable - related parties’ in the consolidated statements of financial position (see Note 15).
9. In 2016 and 2015, 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 21). 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 15).
10. Royal Star Aviation Inc. transports the Parent Company’s visitors and employees from Manila to Semirara Island and vice versa and bills the related party for the utilization costs of the aircrafts. The related expenses are included in cost of sales under ‘Production overhead’ in the consolidated statements of comprehensive income (see Note 21).

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 15).

11. In 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 15).
12. In 2016, SLPGC have retention payable to DMCI which represents amounts withheld from payments to contractors as guaranty for any claims against them. These are noninterest-bearing and will be remitted to contractors at the end of the contracted work. Outstanding balances are lodged under ‘Other noncurrent liabilities’ in the consolidated statements of financial position (see Note 15).

## **Item 5. Directors and Executive Officers**

### **(a) Names, ages and citizenship of all Directors, including Independent Directors and Executive Officers and all persons nominated or chosen to become such**

1. **Directors.** - The following incumbent directors have been nominated to the Board of Directors for the ensuing year and have accepted their nomination:

<b>No.</b>	<b>Board</b>	<b>Names</b>	<b>Citizenship</b>	<b>Age</b>
1.	Chairman	Isidro A. Consunji	Filipino	68
2.	Vice-Chairman	Victor A. Consunji	Filipino	66
3.	Member	Jorge A. Consunji	Filipino	65
4.	Member	Cesar A. Buenaventura	Filipino	87
5.	Member	Maria Cristina C. Gotianun	Filipino	62
6.	Member	Ma. Edwina C. Laperal	Filipino	55
7.	Member	Herbert M. Consunji	Filipino	64
8.	Member	Josefa Consuelo C. Reyes	Filipino	69
9.	Independent	Victor C. Macalincag	Filipino	81
10.	Independent	Rogelio M. Murga	Filipino	82

Messrs. Isidro A. Consunji, Victor A. Consunji, Jorge A. Consunji, Herbert M. Consunji, Josefa Consuelo C. Reyes, and Cesar A. Buenaventura were formally nominated to the Nomination and Election Committee (Nomelec) by a shareholder of SMPC, Ms. Maria Cristina C. Gotianun on February 16, 2017. Ms. Gotianun is the sister of Messrs. Isidro A. Consunji, Victor A. Consunji, Jorge A. Consunji, Josefa Consuelo C. Reyes, Luz Consuelo A. Consunji and cousin of Mr. Herbert M. Consunji. She is not related to Mr. Cesar A. Buenaventura. Further, Mses. Maria Cristina C. Gotianun, and Ma. Edwina C. Laperal were nominated by Mr. Victor A. Consunji on February 17, 2017. Mr. Victor A. Consunji is the brother of Mses. Gotianun and Laperal. Finally, Messrs. Victor C. Macalincag and Rogelio M. Murga, both independent directors, were nominated by Mr. Antonio C. Olizon on February 23, 2017. Mr. Olizon is a non-controlling stockholder of SMPC and is not related by affinity or consanguinity to the nominees.

Ms. Luz Consuelo A. Consunji is a new nominee to the board nominated by her sister, Ms. Gotianun on February 23, 2017.

The deadline for submission of nominees is not later than February 28, 2017 and the validation of proxy is scheduled on April 26, 2016, 4:00 p.m. at the office of SMPC and shall be conducted by the Special Committee of Inspectors designated by the Board.

The nominees to the Board for election at the annual stockholders' meeting on May 2, 2017, have served SMPC for at least five years except for Mr. Murga who joined the Corporation as Independent Director only on November 11, 2014; Ms. Josefa Consuelo C. Reyes was appointed regular director on March 6, 2015; and Ms. Luz Consuelo A. Consunji was nominated to the Board on February 23, 2017.

The current members of the Nomination and Election Committee of SMPC are as follows: (1) Rogelio M. Murga (Chairman); (2) Isidro A. Consunji (Member); and (3) Victor C. Macalincag (Member).

The record of attendance of Directors to board meetings for the year 2016 is as follows:

Board	Name	Date of Election	Number of Meeting Held during the Year	Meetings Attended	%
Chairman	Isidro A. Consunji	May 2, 2016	15	15	100
Member	Victor A. Consunji	May 2, 2016	15	14	93
Member	Jorge A. Consunji	May 2, 2016	15	15	100
Member	Herbert M. Consunji	May 2, 2016	15	15	100
Member	Cesar A. Buenaventura	May 2, 2016	15	15	100
Member	Maria Cristina C. Gotianun	May 2, 2016	15	14	93
Member	Ma. Edwina C. Laperal	May 2, 2016	15	14	93
Member	Josefa Consuelo C. Reyes	May 2, 2016	15	15	100
Member	George G. San Pedro(†) <sup>6</sup>	May 2, 2016	15	8	-
Independent	Victor C. Macalincag	May 2, 2016	15	15	100
Independent	Rogelio M. Murga	May 2, 2016	15	15	100

## 2. Executive Officers. –

No.	Names	Position	Citizenship	Age
1.	Isidro A. Consunji	Chief Executive Officer	Filipino	68
2.	Victor A. Consunji	President & Chief Operating Officer	Filipino	66
3.	Maria Cristina C. Gotianun	Executive Vice-President	Filipino	63
4.	Junalina S. Tabor	VP & Chief Finance Officer	Filipino	53
5.	Jaime B. Garcia	VP-Procurement & Logistics	Filipino	61
6.	Nena D. Arenas	VP, Chief Governance Officer & Compliance Officer	Filipino	56
7.	John R. Sadullo	VP-Legal & Corporate Secretary	Filipino	46

<sup>6</sup> Mr. San Pedro was only able to attend 8 meetings of the board prior to his demise of July 7, 2016.

8.	Antonio R. delos Santos	VP-Treasury	Filipino	64
9.	Jose Anthony T. Villanueva	VP-Marketing	Filipino	52
10.	Sharade E. Padilla	AVP-Investor & Banking Relations	Filipino	38
11.	Ruben P. Lozada	Resident Manager	Filipino	61

The summary of the qualifications of all incumbent Directors, nominees for directors for election at the annual stockholders' meeting and Executive Officers of SMPC is set forth in *Schedule 2* hereof.

- (b) **Term of Office.** - The term of office of the Directors and Executive Officers is one (1) year from their election as such and until their successors shall have been elected and qualified.
- (c) **Independent Directors.** - Under its Revised Code of Corporate Governance, as amended, submitted to the SEC on May 20, 2014, SMPC is required to have at least two (2) Independent Directors or such number of Independent Directors as shall constitute at least twenty percent (20%) of the members of the Board of Directors of SMPC, whichever is lesser. The two (2) nominees for Independent Directors were nominated on February 23, 2017 by a stockholder of SMPC, Mr. Antonio C. Olizon and selected by the Nomelec in accordance with the guidelines in the Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, Series of 2009) and the Guidelines on the Nomination and Election of Independent Directors (SRC Rule 38).

On December 8, 2008, the SEC approved the amendment to SMPC's By-Laws to include Art. III thereof on the adoption of SRC Rule 38. SMPC abides with 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 SMPC and the nominated independent directors are neither stockholders nor directors of DHI.

Further, the independent directors herein nominated are compliant with the term limits pursuant to SEC Memorandum Circular No. 19, Series of 2016, which states that the tenure of an independent director is set to a cumulative term of nine (9) years reckoning of the cumulative nine-year term is from 2012, in connection with SEC Memorandum Circular No. 9, Series of 2011.

(d) **Other Directorship Held in Reporting Companies - Naming each Company. -**

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

- (e) **Family Relationship.** - 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.

- (f) **Legal Proceedings.** - None of the directors and officers was involved in the past five (5) years in any bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding, nor been subject to any order, judgment or decree of competent jurisdiction,

permanently enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in an action by any court or administrative body to have violated a securities or commodities law.

Except for the following, none of the directors, executive officers and nominee for regular director of SMPC is subject to any pending criminal cases:

- (1) ***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 from 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.

- (2) ***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 immediately above-mentioned case likewise pending before the DOJ.

In its 1<sup>st</sup> 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.

- (g) **Significant Employees.** - Except for the above directors and officers, SMPC has no other significant employees (as the term is defined under the SRC and its implementing rules and regulations).

**Item 6. Compensation of Directors and Executive Officers**

- (a) **Compensation of Directors and Executive Officers.** - All executive officers of SMPC 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 SMPC:

Name and Principal Position	Years	Salary	Bonus	Other Annual Compensation
Isidro A. Consunji Chairman & CEO				
Victor A. Consunji Vice Chairman, President and COO				
George G. San Pedro(†) <sup>7</sup> VP & Resident Manager				
Jaime B. Garcia VP Procurement & Logistics				
Junalina S. Tabor Vice-President, CFO				
	2015	17,247,410.17	70,152,941.19	4,996,330.50
	2016	17,764,658.23	72,635,882.37	4,757,729.01
	2017*	17,764,658.23	72,635,882.37	4,757,729.01
	<b>Total</b>	<b>₱52,776,726.63</b>	<b>₱215,424,705.93</b>	<b>₱9,754,059.51</b>
All other Directors and Officers as a group	2015	12,188,106.46	43,007,353.29	11,827,752.62
	2016	12,842,073.14	43,233,823.29	16,752,616.55
	2017*	12,842,073.14	43,233,823.29	16,752,616.55
	<b>Total</b>	<b>₱37,872,252.74</b>	<b>₱129,474,999.87</b>	<b>₱45,332,985.72</b>

*\*Approximate amounts*

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

Executive directors of SMPC 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 by each director who serves as Chairman or a member of SMPC's Board Committees remained unchanged. Aside from executive directors with employment compensation, there are no other directors with arrangements such as consulting contracts.

- (b) **Employment Contracts, Compensatory Plan or Arrangement.** - There is no contract covering their employment with SMPC and they hold office by virtue of their election and/or appointment to office. SMPC has no agreements with its named executive officers regarding any bonus, profit sharing, except for benefits for which they may be entitled under SMPC's retirement plan. On the other hand, members of the Board of Directors may be granted bonuses in accordance with SMPC's By-laws.
- (c) **Stock Warrants or Options.** - There are no outstanding warrants, options, or right to repurchase any securities held by the directors or executive officers of SMPC.

<sup>7</sup> July 7, 2016.



## **Item 7. Independent Public Accountant**

The accounting firm of SyCip Gorres Velayo & Co. (“SGV”) is currently, and for the fiscal year recently completed, SMPC’s independent public accountant, Ms. Cyril Jasmin B. Valencia has been appointed as the partner-in-charge.

Representatives of SGV are expected to be present at the stockholders’ meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

There have been no changes in or disagreement with SMPC’s accountants on accounting and financial disclosures.

Pursuant to the General Requirements of SRC Rule 68, paragraph 3 (Qualifications and Reports of Independent Auditors), the Corporation has engaged the services of SGV as external auditor, and Ms. Cyril Jasmin B. Valencia is the Partner-In-Charge for less than five years or starting 2012. There is compliance with SEC Circular No. 8 Series of 2003 and SRC Rule 68(3)(B)(ix) (Rotation of External Auditors).

On February 23, 2017 the Board of Directors of SMPC, upon recommendation of its Audit Committee, approved and recommended the re-appointment of SGV, subject to stockholders’ approval, as the Corporation’s Independent External Auditor for the fiscal year 2017.

## **C. ISSUANCE AND EXCHANGE OF SECURITIES**

Not applicable for annual stockholders’ meeting.

## **D. OTHER MATTERS**

### **Item 8. Summary of matters to be submitted for Stockholders’ approval:**

- (a) **Approval of Minutes of the Previous Meeting of Stockholders held last May 2, 2016.** - Below is the summary of items and/or resolutions approved at the Annual Stockholders’ Meeting last May 2, 2016:
  - (1) Approval of the Previous Minutes of the Stockholders’ Meeting held on May 4, 2015;
  - (2) Approval of Management Report for fiscal year 2015;
  - (3) Ratification of the Acts of the Board for the year 2015; and
  - (4) Appointment of the SGV, as the Independent External Auditor for the year 2016.
- (b) **Approval of Management Report.** - The President shall report on the results of operations and financial performance of SMPC.
- (c) **Ratification of the Acts of the Board of Directors and Officers for the Preceding Year until the Date of the Annual Stockholders Meeting.** - Resolutions, contracts, and acts of the board of directors and management for ratification refer to those passed or undertaken by them during the year and for the day to day operations of SMPC as contained or reflected in the attached annual report and financial statements. The summary of acts and resolutions of the Board of Directors for the year 2016 is set forth in *Schedule 3*.
- (d) **Approval of the Amendment to the Corporation’s Articles of Incorporation (Article VII) increasing the authorized capital stock from PhP3,000,000,000.00 to PhP10,000,000,000.00.** – On February 23, 2017, the Board of Directors of the Corporation approved the proposed amendment on the increase in authorized capital stock. The Board has determined that the increase is for the best interest of the Corporation. The additional authorized capital will be used to maximize equity funding for future investment/expansion of the business that the Board deems to be in the Corporation’s best interest.

- (e) **Approval of 300% stock dividends amounting to PhP3,195,859,290.00 divided 3,195,859,290 shares at the par value of PhP1.00 per share or three (3) shares for every one common share held from the unrestricted retained earnings of the Corporation as of December 31, 2016 and to be issued from the increase in the authorized capital stock of the Corporation with authority to delegate to the President to fix the record and payment dates.** – On February 23, 2017, the Board of Directors of the Corporation approved the increase to the authorized capital stock of the Corporation from PhP3,000,000,000.00 to PhP10,000,000,000.00 by way of declaration of a stock dividends amounting to PhP3,195,859,290.00 divided 3,195,859,290 shares at the par value of PhP1.00 per share or three (3) shares for every one common share held from the unrestricted retained earnings of the Corporation as of December 31, 2016.
- (f) **Re-appointment of an Independent External Auditor.** – SyCip Gorres Velayo & Co. was recommended by the Board of Directors as SMPC’s Independent External Auditor.
- (g) **Election of Directors.** - Election of the eleven (11) directors of SMPC to serve for one (1) year and until their successors are duly elected and qualified.

**Item 9. Voting Procedures.** - The counting and validation of votes shall be supervised by a committee appointed by the Nomination and Election Committee headed by the Corporate Secretary. SMPC appointed SGV & Co. as independent body to count and validate the votes by poll cast by the shareholders during the Annual Stockholder Meeting.

**(a) Approval of Minutes of Previous Meeting of Stockholders**

- (1) Vote required. A majority of the outstanding common stock present constituting a quorum.
- (2) Method by which the vote shall be counted. Each outstanding common share shall be entitled to one (1) vote. The casting of votes shall be by secret ballot.

**(b) Approval of Management Report**

- (1) Vote required. A majority of the outstanding common stock present in person or in proxy constituting a quorum.
- (2) Method by which the vote shall be counted. Each outstanding common share shall be entitled to one (1) vote. The casting of votes shall be by secret ballot.

**(c) Ratification of the acts of the Board of Directors and Officers for the Preceding Year until the Date of the Annual Stockholders Meeting**

- (1) Vote required. A majority of the outstanding common stock present in person or in proxy provided a quorum.
- (2) Method by which the vote shall be counted. Each outstanding common share shall be entitled to one (1) vote. The casting of votes shall be by secret ballot.

**(d) Amendments to the Corporation’s Articles of Incorporation**

- (1) Vote required. Two-thirds (2/3) of the outstanding common stock present in person or in proxy constituting a quorum.
- (2) Method by which the vote shall be counted. Each outstanding common share shall be entitled to one (1) vote. The votes shall be counted by secret ballot.

**(e) Approval of 300% stock dividends amounting to PhP3,195,859,290.00 divided 3,195,859,290 shares at the par value of PhP1.00 per share or three (3) shares for every one common share held from the unrestricted retained earnings of the Corporation as of December 31, 2016 and to be issued from the increase in the authorized capital stock of the Corporation with authority to delegate to the President to fix the record and payment dates.**

- (1) Vote required. Two-thirds (2/3) of the outstanding common stock present in person or in proxy constituting a quorum.
- (2) Method by which the vote shall be counted. Each outstanding common share shall be entitled to one (1) vote. The votes shall be counted by secret ballot.

**(f) Re-appointment of Independent External Auditor**

- (1) Vote required. A majority of the outstanding common stock present in person or in proxy provided a quorum.
- (2) Method by which the vote shall be counted. Each outstanding common share shall be entitled to one (1) vote. The casting of votes shall be by secret ballot.

**(g) Election of Directors**

- (1) Vote Required. The eleven (11) directors receiving the highest number of votes shall be declared elected.
- (2) Cumulative voting applies. Under this method of voting, a stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing in his own name on the stock books of SMPC as of the Record Date and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. The votes shall be counted by secret ballot.

The quorum required in the election of directors is majority of the outstanding capital stock entitled to vote. The eleven (11) nominees obtaining the highest number of votes in accordance with Section 24 of the Corporation Code shall be proclaimed directors.

SMPC's Management does not intend to bring any matter before the meeting other than those set forth in the Notice in the annual meeting of stockholders and does not know of any matters to be brought before the meeting by others.

**Item 10. Market for Registrant's Common Equity and Related Stockholder Matters**

Please refer to Part II, pages 9-12 of the Management Report attached to this Information Statement.

**PART II  
PROXY FORM  
SEMIRARA MINING AND POWER CORPORATION**

**Item 1. Identification.** This proxy is being solicited by the **MANAGEMENT OF SEMIRARA MINING AND POWER CORPORATION** (the "**Corporation**" or "**SMPC**"). The Chairman of the Board of Directors or, in his absence, the President of SMPC will vote the proxies at the Annual Stockholders' Meeting to be held on **May 2, 2017, 10:00 o'clock in the morning, Main Lounge, Manila Polo Country Club, Inc., McKinley Rd., Forbes Park, Makati City 1220, Philippines.**

**Item 2. Instructions.**

- (a) The proxy must be duly accomplished by the stockholder of record as of Record Date, or his duly authorized agent. In case of a stockholder that is a corporation or a partnership, the proxy must be accomplished by the officer or agent that is duly authorized to do so by virtue of an appropriate corporate or partnership resolution.
- (b) Duly accomplished proxies must be delivered to the Corporate Secretary of SMPC not later than April 21, 2017, 5:30 p.m. at the following address: **SEMIRARA MINING AND POWER CORPORATION, 2<sup>nd</sup> Floor DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City, Philippines.**
- (c) In case of a corporate stockholder, the proxy must be accompanied by a corporate secretary's certificate quoting the board resolution authorizing the relevant corporate officer to execute the proxy for the corporate stockholder.
- (d) In case of shares of stock owned jointly by two or more persons, the consent of all co-owners must be necessary for the execution of the proxy. For persons owning shares in an "and/or" capacity, any one of them may execute the proxy.

- (e) Validation of proxies will be conducted by the Special Committee of Inspectors designated by the Board on April 26, 2017, 4:00 o'clock in the afternoon at the 2<sup>nd</sup> Floor, DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City, Philippines. Any dispute which may arise pertaining to the validation shall be resolved by the Securities and Exchange Commission upon formal complaint filed by the aggrieved party.
- (f) Unless otherwise indicated by the stockholder, a stockholder shall be deemed to have designated the Chairman of the Board of Directors, or in his absence, the President of SMPC, as his proxy for the annual stockholders meeting to be held on May 2, 2017.
- (g) If the number of shares of stock is left in blank, the proxy shall be deemed to have been issued for all of the stockholder's shares of stock in SMPC as of Record Date.
- (h) The manner in which this proxy shall be accomplished, as well as the validation hereof shall be governed by the provisions of SRC Rule 20.11.2.
- (i) The stockholder executing the proxy shall indicate the manner by which he wishes the proxy to vote on the matters in (1), (2), (3), (4), (5), (6) and (7) below by checking the appropriate box. **WHERE THE BOXES (OR ANY OF THEM) ARE UNCHECKED, THE STOCKHOLDER EXECUTING THE PROXY IS DEEMED TO HAVE AUTHORIZED THE PROXY TO VOTE IN FAVOR OF THE ITEMS SPECIFIED HEREUNDER.**

**The Undersigned Stockholder hereby appoints:**

- (a) **The Chairman of the Board of Directors of SMPC, or in his absence, the Vice-Chairman or the President, or in their absence,**
- (b) \_\_\_\_\_

as his/her/its Proxy to attend the stockholders' meeting of SMPC, and any adjournment or postponement thereof, and thereat to vote all shares of stock held by the undersigned as specified below and on any matter that may properly come before said meeting.

**1. Approval of minutes of previous Annual Stockholder's meeting held on May 2, 2016.**

For                       Against                       Abstain

**2. Approval of Management Report.**

For                       Against                       Abstain

**3. Ratification of the acts of the Board of Directors and Management from the date of the last Annual Stockholders' Meeting up to the date of this Meeting.**

For                       Against                       Abstain

**4. Approval of the Amendments to Article VII of the Corporation's Articles of Incorporation.**

For                       Against                       Abstain

**5. Approval of 300% stock dividends amounting to PhP3,195,859,290.00 divided 3,195,859,290 shares at the par value of PhP1.00 per share or three (3) shares for every one common share held from the unrestricted retained earnings of the Corporation as of December 31, 2016 and to be issued from the increase in the authorized capital stock of the Corporation with authority to delegate to the President to fix the record and payment dates.**

For                       Against                       Abstain

**6. Re-appointment of SyCip Gorres Velayo & Co. as Independent External Auditor for year 2017.**

For                       Against                       Abstain

**7. Election of Directors for 2017-2018.**

For all the nominees below, except those whose names are stricken out.

**WITHHOLD AUTHORITY TO VOTE FOR ALL NOMINEES LISTED BELOW.**

**(Instructions: TO STRIKE OUT A NAME OR WITHHOLD TO VOTE FOR ANY INDIVIDUAL NOMINEE, DRAW A LINE THROUGH THE NOMINEE'S NAME IN THE LIST BELOW).**

**Nominees:**

- |                               |                             |
|-------------------------------|-----------------------------|
| 1. ISIDRO A. CONSUNJI         | 7. MA. EDWINA C. LAPERAL    |
| 2. VICTOR A. CONSUNJI         | 8. JOSEFA CONSUELO C. REYES |
| 3. JORGE A. CONSUNJI          | 9. LUZ CONSUELO A. CONSUNJI |
| 4. CESAR A. BUENAVENTURA      | 10. VICTOR C. MACALINCAG*   |
| 5. HERBERT M. CONSUNJI        | 11. ROGELIO M. MURGA*       |
| 6. MARIA CRISTINA C. GOTIANUN |                             |

*\*Nominated as Independent Directors*

**Item 3. Revocability of Proxy.** – Any stockholder who executes the proxy enclosed with this statement may revoke it at any time before it is exercised. The proxy may be revoked by the stockholder executing the same at any time by submitting to the Corporate Secretary a written notice of revocation not later than the start of the meeting, or by attending the meeting in person and signifying his intention to personally vote his shares. Shares represented by an unrevoked proxy will be voted as authorized by the stockholder.

**Item 4. Persons Making the Solicitation.** – The solicitation is made by the Management of SMPC. No director of SMPC has informed in writing that he intends to oppose an action intended to be taken up by the Management of SMPC at the annual meeting. Solicitation of proxies shall be made through the use of mail or personal delivery. SMPC will shoulder the cost of solicitation involving reproduction and mailing of this proxy in an estimated amount of ₱90,000.00, more or less.

**Item 5. Interest of Certain Persons in Matters to be Acted Upon.** – No director, officer, nominee for director, or associate of any of the foregoing, has any substantial interest, direct or indirect, by security holdings or otherwise, on the matter to acted upon at the annual stockholders' meeting to be held on May 2, 2017.

Number of Shares Held as of Record Date : \_\_\_\_\_

\_\_\_\_\_  
Date of Proxy                      (Signature above printed name, including title when signing for a corporation or partnership or as an agent, attorney or fiduciary).

**ACCOMPANYING THIS INFORMATION STATEMENT ARE COPIES OF THE FOLLOWING:**

- 1. NOTICE OF THE ANNUAL STOCKHOLDERS' MEETING CONTAINING THE AGENDA THEREOF.**
- 2. MANAGEMENT REPORT PURSUANT TO SRC RULE 20(4) INCLUDING MANAGEMENT DISCUSSION AND ANALYSIS AND INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS.**

3. **CONSOLIDATED AUDITED FINANCIAL STATEMENTS ENDING DECEMBER 31, 2016 AND 2015 INCLUDING THE STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS.**
4. **PROXY INSTRUMENT.**


**PART III**  
**SIGNATURE**

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized. After reasonable inquiry and to the best of my knowledge and belief, I certify that the information in this report is true, complete and correct.

**SEMIRARA MINING AND POWER CORPORATION**

ISSUER

By:

  
**JOHN R. SADULLO**  
Corporate Secretary

Makati City, Philippines March 22, 2017.

## SCHEDULE 1

The following is a disclosure of the beneficial owners of the shares held by DMCI Holdings, Inc. in SMPC as of March 10, 2017:

1.	Dacon Corporation	6,838,807,440	Common	51.51%
2.	DFC Holdings, Inc.	2,379,799,910	Common	17.92%
2.	PCD Nominee Corporation (Foreign)	1,901,327,634	Common	14.32%
3.	PCD Nominee Corporation (Filipino) <sup>8</sup>	1,708,445,701	Common	12.87%

The following are the two (2) largest beneficial owners of the shares of Dacon Corporation:

Inglebrook Holdings, Inc.	4,086,945 shares	12.45%
Eastheights Holdings, Inc.	4,086,945 shares <sup>9</sup>	12.45%

## SCHEDULE 2 List of Candidates

In accordance with the Guidelines for Nomination of Directors, Revised Code of Corporate Governance, and SRC Rule 38, the Nomination and Election Committee has selected the following upon nomination to the Board of Directors at the Annual Stockholders' Meeting:

### Directors

1. **Isidro A. Consunji**, 68, Filipino, is a Director 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 Nomination & Election Committee and Risk Committee, respectively. He is a graduate of B.S. Civil Engineering at the University of the Philippines. He holds a Master's Degree in Business Economics from the Center for Research & Communication, and Business Management from the Asian Institute of Management. He also took an Advanced Management from IESE School in Barcelona, Spain. He is also the Chairman & CEO of SEM-Calaca Power Corporation, Semirara Claystone Inc., Semirara Energy Utilities Inc., SEM-Balayan Power Generation Corporation, Southwest Luzon Power Generation Corporation, SEM-Cal Industrial Park Developers Inc., and DMCI Mining Corporation. He is also the Chairman of St. Raphael Power Generation Corporation, and ENK Plc (U.K.); Vice-Chairman of DMCI Masbate Power Corporation; Director of Dacon Corporation, M&S Company Inc., DMCI Projects Developers, Inc., Crown Equities, Inc. (*listed company*), Toledo Mining Corporation Plc (U.K.) Semirara Cement Corporation, Atlas Consolidated Mining and Development Corporation (*listed company*), Maynilad Water Services, Private Infra Dev Corp., and SEM-Calaca Res Corporation; and President of DMCI Holdings, Inc. (*listed company*). He was the former President of the Philippine Constructors Association and Philippine Chamber of Coal Mines, Inc. He is a Civil Engineer by profession.
2. **Victor A. Consunji**, 66, Filipino, is a Director since May 2001 and became the Vice-Chairman of the Board in November 2014. Currently, he serves as the President, Chief Operating Officer; and Member of the Audit Committee and Risk Committee, respectively. He is a graduate of A.B. Political Science at the Ateneo de Davao. He is also the President and COO of SEM-Calaca Power Corporation, Semirara Claystone Inc., Semirara Energy Utilities Inc., SEM-Balayan Power Generation Corporation, Southwest Luzon Power Generation Corporation, and SEM-Cal Industrial Park Developers Inc.; Chairman, President & CEO of Semirara Training Center, Inc.; Chairman and CEO of DMCI Power

<sup>8</sup> PCD Nominee Corporation, a wholly-owned subsidiary of Philippine Depository and Trust Corporation ("PDTC"), is the registered owner of the shares in the books of the Corporation's transfer agent in the Philippines. The beneficial owners of such shares are PDTC participants, who hold the shares on their behalf or on behalf of their clients. PDTC is a private company organized by major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

<sup>9</sup> Other beneficial owners of Dacon Corporation with the same number of shares are Gulfshore Inc., Valemount Corporation, Chrismon Investment Inc., Jagjit Holdings, Inc., La Lumiere Holdings, Inc., Rice Creek Holdings, Inc. while Double Spring Investments Corporation holds 114,429 shares or .34% of the issued and outstanding shares.

- Corporation; Chairman & President of Sirawai Plywood & Lumber Corp., and SEM-Calaca Res Corporation; Chairman of Divine Word School of Semirara Island, Inc.; Director of DMCI Holdings, Inc. (*listed company*), D.M. Consunji, Inc., M&S Company, Inc., Dacon Corporation, Sodaco Agricultural Corporation, DMC Urban Property Developers, Inc., Ecoland Properties, Inc., DMCI Masbate Power Corporation, St. Raphael Power Generation Corporation, Checklink Holdings, Inc., and DMCI Mining Corporation; and President of Sirawai Plywood & Lumber Corp.; and Vice-President of Dacon Corporation. He was the Chairman of the Board of One Network Bank.
3. **Jorge A. Consunji**, 65, Filipino, is a Director since May 2001. He is a graduate of B.S. Industrial Management Engineering at the De La Salle University. He is also the Chairman of DMCI Masbate Power Corporation; and Director of DMCI Holdings, Inc. (*listed company*), Dacon Corporation, DMCI Project Developers, Inc., SEM-Calaca Power Corporation, Southwest Luzon Power Generation Corporation, Semirara Claystone Inc., Semirara Energy Utilities Inc., St. Raphael Power Generation Corporation, SEM-Balayan Power Generation Corporation, SEM-Cal Industrial Park Developers Inc., SEM-Calaca Res Corporation, Cotabato Timberland Co., Inc., M&S Company, Inc., Sodaco Agricultural Corporation, DMCI Mining Corporation, DMCI Power Corporation, Eco-Process & Equipment Phils. Inc., and Maynilad Water Services, Inc.; President & COO of D.M. Consunji, Inc., and Royal Star Aviation, Inc.; and Vice-President of Divine Word School of Semirara Island, Inc. He was the former Chairman of the Board of Contech Panel Mfg., Inc., and of Wire Rope Corp. of the Philippines. He was the former President of ACEL and Former First Vice-President of Phil. Constructors Association.
  4. **Cesar A. Buenaventura**, 87, Filipino, is a Director since May 2001. He graduated from the University of the Philippines with a degree of Bachelor of Science in Civil Engineering. He received his M.S. Civil Engineering as Fulbright Scholar at the Lehigh University, Bethlehem, Pennsylvania. In 1991, Mr. Buenaventura was made Honorary Officer of the Order of the British Empire (OBE) by Her Majesty Queen Elizabeth II. He is currently the Chairman of Maibarara Geothermal, Inc., and Vice-Chairman of Atlantic Gulf & Pacific Company of Manila (AG&P), DMCI Holdings, Inc. (*listed company*), and Montecito Properties, Inc. He is a director of DMCI Holdings, Inc., iPeople, Inc. (*listed company*), PetroEnergy Resources Corp. (*listed company*), AG&P Company of Manila, Maibarara Geothermal, Inc., Montecito Properties, Inc., Pilipinas Shell Petroleum Corporation, Philippine American Life Insurance Company, and Manila International Airport Authority. He is the founding Chairman of Pilipinas Shell Foundation, Inc., and founding member of the Board of Trustees of the Makati Business Club.  
  
His past affiliations includes, among others, President of the Benigno S. Aquino Foundation; Member of the Board of Trustees of Asian Institute of Management; Chief Executive Officer of Shell Group of Companies; Member of the Monetary Board of the Central Bank of the Philippines; Member of the Board of Directors of the Philippine International Convention Center; Member of the Board of Regents of the University of the Philippines. He was also a former director of Ayala Corporation, First Philippine Holdings Corporation, Philippine Airlines, Philippine National Bank, Benguet Corporation, Asian Bank, Ma. Cristina Chemical Industries, and Paysetter International Inc.
  5. **Herbert M. Consunji**, 64, Filipino, is a Director since May 2001. He earned his degree of Bachelor of Science in Commerce Major in Accounting at De La Salle University and took his Top Management Program at the Asian Institute of Management. Currently, he is a Director of DMCI Holdings, Inc. (*listed company*), DMCI Power Corporation, DMCI Mining Corporation, SEM-Calaca Power Corp., Southwest Luzon Power Generation Corporation, Subic Water & Sewerage Corp., SEM-Cal Industrial Park Developers Inc.; Vice-President & CFO, DMCI Holdings, Inc.; and Treasurer of SEM-Calaca Res Corporation. He is a Certified Public Accountant.
  6. **Maria Cristina C. Gotianun**, 62, Filipino, is a Director since May 2006 and currently serves as the Executive Vice-President; and member of the Remuneration & Compensation Committee, Risk Committee, and Compliance Committee, respectively. She is a graduate of B.S. Business Economics at the University of the Philippines and majored in Spanish at the Instituto de Cultura Hispanica in Madrid, Spain. She is also a Director and Corporate Secretary of Dacon Corporation; Vice-President



- for Finance & Administration/CFO of D.M. Consunji, Inc.; Finance Director of DMC-Project Developers, Inc.; Director and Treasurer of SEM-Calaca Power Corporation, Southwest Luzon Power Generation Corporation, Semirara Claystone Inc., Semirara Energy Utilities Inc., St. Raphael Power Generation Corporation, SEM-Balayan Power Generation Corporation, DMCI Power Corporation, DMCI Masbate Power Corporation, and SEM-Cal Industrial Park Developers Inc.; Director of Daveprime Holdings, Inc.; Assistant Treasurer of DMCI Holdings, Inc. (*listed company*); and a Trustee, CFO and Corporate Secretary of Divine Word School of Semirara Island, Inc.
7. **Ma. Edwina C. Laperal**, 55, Filipino, is a Director since May 2007. She is a graduate of B.S. Architecture at the University of the Philippines, obtained her Master's Degree in Business Administration at the same University, and earned her Executive Certificate for Strategic Business Economics Program at the University of Asia & The Pacific. She is currently a Director and Treasurer of Dacon Corporation, DMCI Holdings, Inc. (*listed company*), D.M. Consunji, Inc., DFC Holdings, Inc., and DMCI Project Developers, Inc.; Director and Vice-President of Artregard Holdings, Inc.; and Director of SEM-Calaca Power Corporation, and DMC Urban Property Developers, Inc. She is a License Architect.
  8. **Josefa Consuelo C. Reyes**, 69, Filipino, is a Director since March 2015. She is a graduate of AB Economics at the University of British Columbia, Vancouver, Canada. She is currently the General Manager of Manila Herbal & Essential Oils Co., Inc.; Corporate Secretary of the Philippine Coffee Board; Director and Chairperson of Ecology Village Association. She also worked as Vice-President/Director of Ecology Village Association. She also took Strategic Business Economics Program at the University of Asia and the Pacific in 2007.
  9. **Luz Consuelo A. Consunji**, 63, Filipino. She is a graduate of Assumption College with a Bachelor's Degree in Commerce Major in Management. She also took her Master's Degree in Business Economics at the University of Asia and the Pacific. She is currently a Director DMCI Holdings, Inc. (*listed company*), South Davao Development Co., Zanorte Palm-Rubber Corp., and Dacon Corporation; and Treasurer of Missionaries of Mary Mother of the Poor. She was a Director of One Network Bank, and was also the Treasurer of Mary Mother of the Poor Foundation.
  10. **Victor C. Macalincag**, 81, Filipino, is an Independent Director since May 2005 and currently serves as the Chairman of the Audit Committee and Compensation & Remuneration; and Member of Nomination & Election Committee, and Risk Committee, respectively. He is a holder of a Bachelor of Business Administration (BBA) degree from the University of the East and a Certified Public Accountant (CPA). He completed his academic requirements for a Masteral Degree in Economics and is a fellow of the Economic Development Institute of the World Bank. Currently, he is an Independent Director of Ceres Property Ventures, Inc., Crown Equities, Inc. (*listed company*), Republic Glass Holdings, Corporation (*listed company*), ISM Communications Corporation (*listed company*), Atok-Big Wedge Co., Inc. (*listed company*), Alphaland Corporation, and SEM-Calaca Power Corporation. He is also a regular Director of One Wealthy Nation Fund, Inc., and Asian Alliance Investment Corp.  
  
He was formerly the Undersecretary of Finance (1986-1991), Deputy Minister of Finance (1981-1986), Treasurer of the Philippines (1983-1987), President of Trade & Investment Development Corporation of the Philippines (PHILEXIM) (1991-2001). He was also a director of the Home Guarantee Corporation (1979-2001), the Philippine Overseas Construction Board (1991-2001), the Philippine Long Distance Telephone Company (1988-1995), the National Power Corporation (1978-1986), Universal LRT-7 Corporation (2003-2010), and Philippine Deposit Insurance Corporation (1983-1991). He was Chairman of Pilipinas Bank (1984-1988) and Executive Vice-President of Land Bank of the Philippines (1981-1982). He was also a director of Philippine Aerotransport, Inc., Paper Industries Corporation of the Philippines, Lumang Bayan Realty Corporation, and Manila Midtown Development Corporation.
  11. **Rogelio M. Murga**, 82, Filipino, is an Independent Director since November 2014, and also serves as the Chairman of the Nomination & Election Committee, and Member of the Audit Committee, Compensation & Remuneration Committee, and Risk Committee, respectively. He graduated from the

University of the Philippines with a Bachelor of Science degree in Mechanical Engineering in 1958. In 1980, he also completed his Senior Management Program at Harvard Business School in Vevey, Switzerland, and was conferred in 2004 an Honorary Degree of Doctor of Science – *Honoris Causa* by Feati University.

Currently, he is the Chairman & CEO of Private Infra Dev Corp. and an Independent Director of SEM-Calaca Power Corporation and Meralco Industrial Engineering Services Corp. His previous employment affiliation includes: President and Chief Executive Officer of the National Power Corporation; Director, President, Chief Operating Officer and eventually Vice-Chairman of EEI Corporation; President of Philippine Constructors Association; President of the International Federation of Asian and Western Pacific Contractors Association; Member of the Management Association of the Philippines; and finally as Chairman of the Committee on Engineering and Construction of the Philippine Chamber of Commerce and Industry. He was also a Consultant of DCCD Engineering Corporation and taught as Engineering Professor at the National University.

### Executive Officers

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

*\*Member of the Board*

1. **Jaime B. Garcia**, 61, 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**, 53, 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**, 46, 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., SEM-Balayan 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**, 56, 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**, 64, 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**, 52, 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. **Sharade E. Padilla**, 38, 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.
8. **Ruben P. Lozada**, 61, 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.

**SCHEDULE 3**  
**2016 Summary of Board Acts and Resolutions**

1. Special Meeting on January 14, 2016 on the approval of the following:
  - a. Minutes of meeting held on November 11, 2015
  - b. Establishment of depository account and availment of credit facilities with Philippine National Bank;
  - c. Application for accreditation as importer with Land Transportation Office; and
  - d. Sale of motor vehicle with Plate No. ABF1260.
  
2. Regular Meeting on February 23, 2016 on the approval of the following:
  - a. Audit Committee's Annual Report to the Board for the year ended December 31, 2016;
  - b. Audited Consolidated Financial Statements for the period ended December 31, 2015;
  - c. Re-Appointment of SGV as the Corporation's independent external auditor for year 2016;
  - d. Fixing the date, time and venue of the Corporation's Annual Stockholder's Meeting; appointment of Special Committee of Inspector on Proxy Validation; and appointment of SGV as the Board of Canvassers;
  - e. Nomination and Election Committee's Annual Report to the Board for the year ended December 31, 2016;
  - f. Compensation and Remuneration Committee's Annual Report to the Board for the year ended December 31, 2016;
  - g. Risk Committee's Annual Report to the Board for the year ended December 31, 2016;
  - h. Internal Audit Attestation to the Board for the year ended December 31, 2016;
  - i. Internal Audit's Annual Confirmation of Organizational Independence to the Board for the year ended December 31, 2016;
  - j. Acceptance of the Terms and Conditions of the Project Sheet Approval by the Board of Investments as New Producer of Coal for Molave Mine project;
  - k. Sale of motor vehicle with Plate No. PIR592; and
  - l. Application for Fire Safety Inspection Certificate with the Bureau of Fire Protection – Makati City Fire Station.
  
3. Special Meeting on March 10, 2016 on the approval of the following:
  - a. Minutes of board meeting held on February 23, 2016;
  - b. Final list of nominees for directorship for the Annual Stockholders' Meeting on May 2, 2016;
  - c. Application for income tax holiday for taxable year 2015 with the Board of Investments;
  - d. Designation of authorized signatories to transact business with the Corporation's Stock Transfer Agent, Rizal Commercial Banking Corporation;
  - e. Application for corporate plans with Globe Telecom, Inc.;
  - f. Application for Autosweep RFID Corporate Account with Skyway O&M Corporation and/or Manila Toll Expressway System;
  - g. Application for term loan, opening of depository accounts and availment of bank products and services with the Bank of the Philippine Islands;
  - h. Application for corporate account with Smart Communications;
  - i. Appointment of Attys. Manuel C. Fausto, Jr. and Herbert J. Blas or any member of Rodrigo Berenguer & Guno to represent the Corporation in the case Semirara Mining Corporation vs. Commissioner of Internal Revenue, CTA Case No. 9133;
  - j. Execution of agreement between the Corporation and Kingtiger Security Agency Corp. to guard the former's facilities in Semirara Island, Caluya, Antiue;
  - k. Execution of Deed of Assignment between SMPC and South Davao Development Co., Inc. relative to the Mineral Production Sharing Agreement No. 166-2000-XII;
  - l. Execution of Bareboat Charter Agreement with DMCI Construction Equipment Resources, Inc.; and

- m. Execution of Technical Service Agreement with Black & Veatch for the performance of professional engineering services relative to the construction of 350MW pulverized coal fired thermal power plant owned by its subsidiary, St. Raphael Power Generation Corporation.
4. Special Meeting on April 25, 2016 on the approval of the following:
    - a. Minutes of board meeting held on March 10, 2016;
    - b. Execution of Joint Venture Agreement between the Corporation and Meralco Powergen Corporation for the development, construction and operation of 2x350mw coal-fired power plant located in Calaca, Batangas;
    - c. Application for duty and tax exemption indorsement with the Department of Finance; and
    - d. Sale of motor vehicle with Plate No. 5595PU.
  5. Special Meeting on April 29, 2016 on the approval of the following:
    - a. Minutes of board meeting held on April 25, 2016; and
    - b. Declaration of cash dividends of PhP4.00/share to stockholders as of record date, May 17, 2016, and payable on May 27, 2016.
  6. Organizational Meeting on May 2, 2016 on the approval of the following:
    - a. Minutes of board meeting held on April 25, 2016;
    - b. Election Officers and Composition of Governance Committees as follows:

**A. Principal Officer:**

1. Isidro A. Consunji - *Chairman & Chief Executive Officer*
2. Victor A. Consunji - *President & Chief Operating Officer*
3. Maria Cristina C. Gotianun - *Executive Vice-President*
4. George G. San Pedro - *VP-Operations & Resident Manager*
5. Junalina S. Tabor - *VP & Chief Finance Officer*
6. Jaime B. Garcia - *VP-Procurement & Logistics*
7. Nena D. Arenas - *VP, Chief Governance Officer & Compliance Officer*
8. John R. Sadullo - *VP-Legal & Corporate Secretary*
9. Antonio R. Delos Santos - *VP-Treasury*
10. Jose Anthony T. Villanueva - *VP-Marketing*
11. Sharade E. Padilla - *AVP-Investor & Banking Relations*

**B. Corporate Governance Committees:**

1. Audit Committee:

a. Victor C. Macalincag	-	Chairman
b. Rogelio M. Murga	-	Member
c. Victor A. Consunji	-	Member
2. Compensation & Remuneration Committee:

a. Victor C. Macalincag	-	Chairman
b. Rogelio M. Murga	-	Member
c. Maria Cristina C. Gotianun	-	Member
3. Nomination & Election Committee:

a. Rogelio M. Murga	-	Chairman
b. Victor C. Macalincag	-	Member
c. Isidro A. Consunji	-	Member
4. Risk Committee

a. Rogelio M. Murga	-	Chairman
b. Victor C. Macalincag	-	Member
c. Isidro A. Consunji	-	Member
d. Victor A. Consunji	-	Member

e. Maria Cristina C. Gotianun - Member

5. Compliance Committee:

a. Nena D. Arenas - Compliance Officer  
 b. Maria Cristina C. Gotianun - Member  
 c. Junalina S. Tabor - Member  
 d. John R. Sadullo - Member  
 e. Ruben P. Lozada - Member

c. Authority of Victor A. Consunji to vote all of SMPC shares held at the Annual Stockholders' Meeting for year 2016 of Southwest Luzon Power Generation Corporation, SEM-Cal Industrial Part Developers, Inc., Semirara Energy Utilities, Inc., SEM-Calaca Power Corporation, SEM-Calaca Res Corporation, Semirara Claystone Inc., SEM-Balayan Power Generation Corporation, and St. Raphael Power Generation Corporation.

7. Regular Meeting on May 6, 2016 on the approval of the following:

a. Minutes of board meeting held on April 29, 2016;  
 b. Unaudited consolidated financial statements for the period ended March 31, 2016;  
 c. Ratification/confirmation of the Purchase Contract between SMPC and Agusta Westland S.p.a. on the purchase of 1 unit helicopter model AW109SP;  
 d. Purchase second hand helicopter model A109E S/N 11041, registration marks RP-C1098 from Royal Star Aviation Maintenance and Services, Inc.; and  
 e. Sale of motor vehicle with Plate No. ARA9063.

8. Special Meeting on May 25, 2016 on the approval of the following:

a. Minutes of board meeting held on May 6, 2016;  
 b. Sale of 1 unit used helicopter to Finmeccanica S.p.a., Helicopter Division with model A109E, Seria No. 11041, registration marks RP-C1098;  
 c. Enrollment in the BancNet E-Gov System through China Banking Corporation for the filing and periodic payment of dues to BIR, HDMF, Philhealth, and SSS;  
 d. Request the release of appeal bond in Abejo, et. al. vs. Semirara Mining Corp., et. al., NLRC NCR Case No. 01-00477-15;  
 e. Appointment of John R. Sadullo as attorney-in-fact to represent SMPC in the case of Juntilla vs. Semirara Mining and Power Corporation, et. al., NLRC RAB-XI-04-00269-16;  
 f. Sale of motor vehicle with Plate No. POG565;  
 g. Application for term loan, opening of depository account, and availment of other bank products and services with Bank of the Philippine Islands;  
 h. Application for term loan, opening of depository account, and availment of other bank products and services with Security Bank Corporation;  
 i. Foreign exchange availment, opening of depository account, and availment of other bank products and services with Philippine National Bank; and  
 j. Availment of 2016 Summer Rewards Promo with East West Banking Corporation.

9. Special Meeting on July 11, 2016 on the approval of the following:

a. Minutes of board meeting held on May 25, 2016;  
 b. Opening of depository account and availment of other bank products and services with Metropolitan Bank & Trust Company – Antique Branch;  
 c. Opening of depository account and availment of other bank products and services with One Network Bank – Antique Branch;  
 d. Opening of depository account and availment of other bank products and services with Development Bank of the Philippines – Antique Branch;  
 e. Application for the renewal of Quarrying Permit (MGS2011-006) issued on March 31, 2011 and/or apply for quarry permit for limestone and other quarry resources with the Provincial Mining Regulatory Board;  
 f. Sale of motor vehicles with Plate Nos. NIJ586, NZO642, PIY557, PMI462, and PBO470;

- g. Authority to apply for and/or secure a surety bond with Prudential Guarantee and Assurance Inc. in the amount of PhP5,000,000.00 in connection with ECC CO-1601-0005 issued by DENR-EMB, as amended on April 29, 2016; and
  - h. Ratification and/or confirmation on the execution of Amendment No. 3 to the Purchase Contract dated November 17, 2015 between SMPC and Finmeccanica for the purchase of 1 unit helicopter model AW109SP.
10. Regular Meeting on August 9, 2016 on the approval of the following:
- a. Minutes of board meeting held on July 11, 2016;
  - b. Unaudited consolidated financial statements for the period ended June 30, 2016;
  - c. Execution of Memorandum of Agreement between SMPC and Globe Telecom, Inc. allowing the latter to use a portion of SMPC's coal contract area in Semirara Island, Caluya, Antique for its telecommunications site and/or rendition of telecommunication services including the installation of related antenna, cable facilities and other related appurtenances;
  - d. Appointment of Atty. Alexis C. Salvani, as attorney-in-fact to appear and represent the Corporation in Civil Case No. C-221, RTC-Culasi, Antique, Branch 13;
  - e. Availment of loan and credit facilities with Philippine National Bank – Hongkong Branch; and
  - f. Sale of motor vehicles with Plate Nos. TIA587, PKQ242, and POF803.
11. Special Meeting on August 15, 2016 on the approval of the following:
- a. Minutes of meeting held on August 9, 2016;
  - b. Authority to buy-back SMPC shares not exceeding 20,000,000 shares based on the prevailing market price for a period of 60 days beginning August 18, 2016 with PhP1.5 billion appropriated amount;
  - c. Authority to secure authentication certificate from the Department of Foreign Affairs relative to the purchase of 1 unit helicopter model AW109SP from Finmeccanica S.p.a.;
  - d. Authority to open depository account and availment of other bank products and services with One Network Bank under the account name of Semirara Mining Corporation Hospital; and
  - e. Authority to purchase, sell, trade or otherwise invest in common/preferred shares and other forms of investments, etc., and designation of its authorized signatories for the purpose.
12. Special Meeting on August 24, 2016 on the approval of the following:
- a. Minutes of meeting held on August 15, 2016; and
  - b. Promotion of Ruben P. Lozada as SMPC's Resident Manager effective immediately.
13. Special Meeting held on September 14, 2016 on the approval of the following:
- a. Minutes of meeting held on August 24, 2016;
  - b. Authority of John R. Sadullo to execute the Affidavit of Compliance relative to the Bell Awards for Corporate Governance of PSE;
  - c. Closure of depository accounts with Rizal Commercial Banking Corporation, and Philippine National Bank, respectively;
  - d. Authority of John R. Sadullo and/or Ansley V. Medina to receive tax credit certificate relative to the PhP86.1 million tax refund claim with the BIR;
  - e. Execution of Shareholder's Guarantee in compliance to the condition for the release of the Certificate of Authority No. 00570 dated 27 September 2016 by the Board of Investments granted in favor of Southwest Luzon Power Generation Corporation;
  - f. Authority to infuse additional capitalization in Semirara Energy Utilities, Inc. and obtain credit facilities with any reputable banking institution relative to its application for accreditation as Qualified Third Party with the Department of Energy;
  - g. Authority of Isidro A. Consunji and/or Victor A. Consunji as SMPC's proxies and to attend the annual stockholders' meeting of St. Raphael Power Generation Corporation on October 11, 2016;
  - h. Appointment of Jaime B. Garcia, Manuel C. Fausto, Jr., Hebert J. Blas to appear and represent the Corporation in the case that will be filed against Philippine Ports Authority for the refund of wharfage dues; and
  - i. Sale of motor vehicles with Plate Nos. PIY686 and NID599.

14. Special Meeting on October 14, 2016 on the approval of the following:
- a. Minutes of meeting held on September 14, 2016;
  - b. Extension of SMPC's buy-back program for a period of 60 days beginning October 18, 2016. Other terms and conditions as approved by the board on August 15, 2016 remained the same;
  - c. Authority to sell SMPC's Line Processing Plant including all its equipment and appurtenances to Integrated Workers Multipurpose Cooperative;
  - d. Authority to assign, transfer and convey SMPC's Quarry Permit (MGS-2016-12) dated June 29, 2016 to Ruben P. Lozada;
  - e. Sale of motor vehicle with Plate No. XPM669; and
  - f. Authority of Victor A. Consunji to represent SMPC in connection with the technical audit and/or investigation of the DENR on the Miscellaneous Lease Applications and/or Foreshore Lease Applications.
15. Regular Meeting held on November 8, 2016 on the approval of the following:
- a. Minutes of board meeting held on October 14, 2016;
  - b. Unaudited consolidated financial statements for the period ended September 30, 2016;
  - c. Appropriation of Php2.5 billion from SMPC's unappropriated retained earnings as of December 31, 2015, as additional capital expenditures for the Phase 2 power expansion project;
  - d. Authority of Junalina S. Tabor to certify and submit the Annual Tax Incentives Report with the Board of Investments;
  - e. Authority of SMPC to institute a civil action against Melani Ann T. Ramos for the collection of sum of money;
  - f. Authority of Victor A. Consunji and/or Freddie E. Magtoto to represent SMPC in its application with the DENR pertaining to the Miscellaneous Lease Agreement No. 060605-02 covering foreshore area of 7.4377 has. and Provisional Permit Application No. 060605-01;
  - g. Authority to secure permits and licenses from the Philippine Drug Enforcement Agency for the purchase of, handling, and to move/transport said controlled precursors and essential chemicals;
  - h. Authority to renew accreditation as importer with the Land Transportation Office;
  - i. Application for Lifting of Abandonment/Clearance of No Alert with the Bureau of Customs relative to SMPC's import entries; and
  - j. Execution of Deed of Donation between SMPC and Philippine Disaster Resilience Foundation, Inc. amounting to Php8 million pesos for the establishment of an Emergency Operations Center at Clark, Pampanga.

----- nothing follows -----



**PROXY FORM  
SEMIRARA MINING AND POWER CORPORATION**

**Item 1. Identification.** This proxy is being solicited by the **MANAGEMENT OF SEMIRARA MINING AND POWER CORPORATION** (the “**Corporation**”). The Chairman of the Board of Directors or, in his absence, President will vote the proxies at the Annual Stockholders’ Meeting to be held on **May 2, 2017, 10:00 A.M., Main Lounge, Manila Polo Club, Inc., McKinley Rd., Forbes Park, Makati City 1220, Philippines.**

**Item 2. Instructions.**

- (a) The proxy must be duly accomplished by the stockholder of record as of Record Date, or his duly authorized agent. In case of a stockholder that is a corporation or a partnership, the proxy must be accomplished by the officer or agent that is duly authorized to do so by virtue of an appropriate corporate or partnership resolution.
- (b) Duly accomplished proxies must be delivered to the Corporate Secretary of SMPC not later than April 21, 2017, 5:30 p.m. at the following address: **SEMIRARA MINING AND POWER CORPORATION, 2<sup>nd</sup> Floor DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City, Philippines.**
- (c) In case of a corporate stockholder, the proxy must be accompanied by a corporate secretary’s certificate quoting the board resolution authorizing the relevant corporate officer to execute the proxy for the corporate stockholder.
- (d) In case of shares of stock owned jointly by two or more persons, the consent of all co-owners must be necessary for the execution of the proxy. For persons owning shares in an “and/or” capacity, any one of them may execute the proxy.
- (e) Validation of proxies will be conducted by the Special Committee of Inspectors designated by the Board on April 26, 2017, 4:00 o’clock in the afternoon at the 2<sup>nd</sup> Floor, DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City, Philippines. Any dispute which may arise pertaining to the validation shall be resolved by the Securities and Exchange Commission upon formal complaint filed by the aggrieved party.
- (f) Unless otherwise indicated by the stockholder, a stockholder shall be deemed to have designated the Chairman of the Board of Directors, or in his absence, the President of SMPC, as his proxy for the annual stockholders meeting to be held on May 2, 2017.
- (g) If the number of shares of stock is left in blank, the proxy shall be deemed to have been issued for all of the stockholder’s shares of stock in SMPC as of Record Date.
- (h) The manner in which this proxy shall be accomplished, as well as the validation hereof shall be governed by the provisions of SRC Rule 20.11.2.
- (i) The stockholder executing the proxy shall indicate the manner by which he wishes the proxy to vote on the matters in (1), (2), (3), (4), (5), (6) and (7) below by checking the appropriate box. **WHERE THE BOXES (OR ANY OF THEM) ARE UNCHECKED, THE STOCKHOLDER EXECUTING THE PROXY IS DEEMED TO HAVE AUTHORIZED THE PROXY TO VOTE IN FAVOR OF THE ITEMS SPECIFIED HEREUNDER.**

**The Undersigned Stockholder hereby appoints:**

- (a) **The Chairman of the Board of Directors of SMPC, or in his absence, the Vice-Chairman or the President, or in their absence,**
- (b) \_\_\_\_\_

as his/her/its Proxy to attend the stockholders’ meeting of SMPC, and any adjournment or postponement thereof, and thereat to vote all shares of stock held by the undersigned as specified below and on any matter that may properly come before said meeting.

**1. Approval of minutes of previous Annual Stockholder’s meeting held on May 2, 2016.**

For                       Against                       Abstain

**2. Approval of Management Report.**

For                       Against                       Abstain

3. **Ratification of the acts of the Board of Directors and Management from the date of the last Annual Stockholders' Meeting up to the date of this Meeting.**

For                       Against                       Abstain

4. **Approval of the Amendment to Article VII of the Corporation's Articles of Incorporation.**

For                       Against                       Abstain

5. **Approval of 300% stock dividends amounting to PhP3,195,859,290.00 divided 3,195,859,290 shares at the par value of PhP1.00 per share or three (3) shares for every one common share held from the unrestricted retained earnings of the Corporation as of December 31, 2016 and to be issued from the increase in the authorized capital stock of the Corporation with authority to delegate to the President to fix the record and payment dates.**

For                       Against                       Abstain

6. **Re-appointment of SyCip Gorres Velayo & Co. as Independent External Auditor for year 2017.**

For                       Against                       Abstain

7. **Election of Directors for 2017-2018.**

For all the nominees below, except those whose names are stricken out.

**WITHHOLD AUTHORITY TO VOTE FOR ALL NOMINEES LISTED BELOW.**

**(Instructions: TO STRIKE OUT A NAME OR WITHHOLD TO VOTE FOR ANY INDIVIDUAL NOMINEE, DRAW A LINE THROUGH THE NOMINEE'S NAME IN THE LIST BELOW).**

**Nominees:**

- |                               |                             |
|-------------------------------|-----------------------------|
| 1. ISIDRO A. CONSUNJI         | 7. MA. EDWINA C. LAPERAL    |
| 2. VICTOR A. CONSUNJI         | 8. JOSEFA CONSUELO C. REYES |
| 3. JORGE A. CONSUNJI          | 9. LUZ CONSUELO A. CONSUNJI |
| 4. CESAR A. BUENAVENTURA      | 10. VICTOR C. MACALINCAG*   |
| 5. HERBERT M. CONSUNJI        | 11. ROGELIO M. MURGA*       |
| 6. MARIA CRISTINA C. GOTIANUN |                             |

*\*Nominated as Independent Directors*

**Item 3. Revocability of Proxy.** – Any stockholder who executes the proxy enclosed with this statement may revoke it at any time before it is exercised. The proxy may be revoked by the stockholder executing the same at any time by submitting to the Corporate Secretary a written notice of revocation not later than the start of the meeting, or by attending the meeting in person and signifying his intention to personally vote his shares. Shares represented by an unrevoked proxy will be voted as authorized by the stockholder.

**Item 4. Persons Making the Solicitation.** – The solicitation is made by the Management of SMPC. No director of SMPC has informed in writing that he intends to oppose an action intended to be taken up by the Management of SMPC at the annual meeting. Solicitation of proxies shall be made through the use of mail or personal delivery. SMPC will shoulder the cost of solicitation involving reproduction and mailing of this proxy in an estimated amount of ₱90,000.00, more or less.

**Item 5. Interest of Certain Persons in Matters to be Acted Upon.** – No director, officer, nominee for director, or associate of any of the foregoing, has any substantial interest, direct or indirect, by security holdings or otherwise, on the matter to acted upon at the annual stockholders’ meeting to be held on May 2, 2017.

Number of Shares Held as of Record Date : \_\_\_\_\_

\_\_\_\_\_  
Date of Proxy

\_\_\_\_\_  
(Signature above printed name, including title when signing for a corporation or partnership or as an agent, attorney or fiduciary).

# **MANAGEMENT REPORT**

## **Pursuant to SRC Rule 20(4)**

**SEMIRARA MINING AND POWER CORPORATION  
MANAGEMENT REPORT**

**TABLE OF CONTENTS**

PART I - BUSINESS AND GENERAL INFORMATION -----	3
PART II - SECURITIES OF THE REGISTRANT -----	9
A. Market Price and Dividends on Registrant's Common Equity -----	9
1 Market Information -----	9
2 Holders -----	10
3 Dividends -----	12
4 Recent Sales of Unregistered or Exempt Securities -----	12
PART III - FINANCIAL INFORMATION -----	12
A. Management Discussion and Analysis -----	12
1 Years 2015-2016 -----	12
2 Years 2014-2015 -----	28
3 Years 2013-2014 -----	34
B. Information on Independent Accountant and Other Related Matters -----	40
ATTACHMENT:	
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS	
2016 & 2015 ANNUAL AUDITED CONSOLIDATED FINANCIAL STATEMENTS	
SUPPLEMENTARY SCHEDULES:	
SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION	
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS	
SCHEDULE A – FINANCIAL ASSETS	
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER	
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	
SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS	

## PART I- BUSINESS AND GENERAL INFORMATION

Semirara Mining and Power Corporation<sup>1</sup> (the “Corporation” or “SMPC”) was incorporated on February 26, 1980 to explore, develop and mine the coal resources in Semirara Island, Caluya, Antique.

Competition is insignificant in so far as domestic coal mine is concerned. SMPC remains the largest coal producer in the Philippines, contributing 1.515 million metric tons (MT) or 98.4% of total domestic coal production in 2001 while the nominal balance is shared by small-scale mines in Cebu, Bataan Island, and other areas. Nonetheless, domestic coal demand is still anchored heavily on imported coal. In 2002, importation reached 5.930 million MT, representing 79.4% of aggregate supply, much higher than the 1.539 million MT (or 20.6% of aggregate supply) contributed by domestic coal producers. China brought in the bulk of coal in the country, accounting for 49.84% of the total, followed by Indonesia (36.86%), Australia (9.26%) and Vietnam (4.04%). In 2004, domestic producers supplied 27% of the total demand of 9.5 Million MTs increasing further to 32% of the 9.7 Million MTs market in 2005. However, in 2006 domestic producers supplied only 25% of the total demand of 9.5 Million MT’s because of higher imported volume due to demand of higher quality coal which came from other countries. Semirara supplied 22% of the country’s total coal consumption for 2006. The competitiveness of domestic coal producers is threatened 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. SMPC remains to be competitive while it continues to exert efforts to improve the quality of its coal and keep production costs low. The tariff rates of sub-bituminous and other coal now stands at the rate of 3%.

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 will be used by approximately 50% of the total Philippine market during this period. 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.

In March 2003, NPC tested our coal for its Masinloc plant while deliveries were made to Sual and Pagbilao Power Plants in 2004 and 2005. Both plants (Sual and pagbilao) are being operated by Mirant, Phil., Inc., and are covered by a Coal Supply and Energy Conversion Agreements with NPC. At this time, these plants have potential market of 600,000 to 800,000 Mts of coal per annum for Semirara coal.

On December 2, 2009, SEM-Calaca Power Corporation (SCPC), a wholly-owned subsidiary of SMPC took over the operation of the National Power Corporation’s (NPC) power plants in Calaca and in May 4, 2010 completed its acquisition of said power plants. SMPC continues to supply coal to the Calaca plants at approximately 900,000 MTs in 2010. The Calaca plants have a potential requirement of approximately 1.5 to 2.0 Million MTs.

Historically, approximately 98% of SMPC’s revenue streams are from the then NPC Calaca Plants. Prior to its privatization, NPC’s consumption of Semirara Coal steadily increased since SMPC worked on improving the quality of its coal. Note that SMPC 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 SMPC’s sales went down to 38% and 45%, respectively from 63% and 68% in 2006. In 2008, NPC share in volume and value further dropped to 24% and 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.

On August 31, 2011, Southwest Luzon Power Generation Corporation (SLPGC), a wholly-owned subsidiary of SMPC was incorporated with an authorized capital stock of ₱10 Billion and paid-up capital of ₱3 Billion. SLPGC was constituted as the project company that will own and operate the 2x150 MW Coal Fired Thermal Power

---

<sup>1</sup> Change in corporate name from Semirara Mining Corporation to Semirara Mining and Power Corporation was approved by the Commission on August 18, 2014.

Plant. The project cost of the said power plant is estimated to be approximately ₱19.8 Billion and will be constructed adjacent to the SCPC Power Plant in Calaca, Batangas. On February 1, 2012, the Department of Environment and Natural Resources (DENR) issued to SLPGC its Environmental Compliance Certificate (ECC). SMPC’s other wholly-owned subsidiaries are SEM-Cal Industrial Park Developers, Inc. (SIPDI), Semirara Claystone Inc. (SCI), Semirara Energy Utilities Inc. (SEUI), and Southeast Luzon Power Generation Corporation<sup>2</sup> (SELPGC) while the Corporation has 50% equity ownership in St. Raphael Power Generation Corporation (SRPGC).

SMPC has secured permits and licenses from the government as follows: (a) Extension of Coal Operating Contract with the DOE from 2012 to 2027; (b) DENR Mineral Exploration Permit 99-001-VI renewable every 2 years; (c) DENR Environmental Compliance Certificate No. 9805-009-302; (d) DENR Environmental Compliance Certificate ECC-CO-1601-005 issued by the DENR for its Molave Coal Project (e) Business Permits issued by Caluya, Antique and Makati City; (f) Aerodrome Rating Certificate No. 218 issued by CAAP-yearly renewable; (g) Certificate of Registration of Port Facilities No. 149 until December 31, 2014<sup>3</sup>; and (h) DENR Special Land Use Permit No. 6-1-SLUP-OLP002-03152017 until March 15, 2017.

Under its Coal Operating Contract, SMPC is obligated to pay royalties to the Department of Energy (DOE) – at the 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. On November 12, 2009, DOE and SMPC executed Second Amendment to Coal Operating Contract No. 5. The second amendment amends the coordinates of the contract area to include a land area of 3,000 and 4,200 hectares, more or less, located in Caluya Island and Sibay Island, Antique.

On September 10, 2012 the Technical Report on Bobog Coal Deposit was released, which showed a resource estimates of 27.5 million metric tons of measured and 9 million metric tons of indicated in situ coal in Bobog mine. The coal resource is contained in 26 seams but only 19 were considered in the estimate as mineable due to thickness, quality and consistency factors. Of the 19 seams, 12 attained thickness greater than 3 meters and occasionally up to 20 meters. The coal resource has a heating value ranging from 6,930 to 10,149 BTU/lb, with a mass-weighted average of 9,500 BTU/lb. Under the ASTM classification of coal by rank, the seams in Bobog range from Sub-bituminous B to Sub-bituminous A. Eleven (11) major and thirty seven (37) minor coal seams have been interpreted and correlated from the Bobog drillholes. The major coal seams are seams 10, 22, 23, 31, 32, 33, 41, 42, 43, 44, and 45. A coal seam is categorized as major seam if it contains at least one million metric tons of coal resources. Intersected thickness of major seams ranged up to 25 meters. The Bobog database for most of the major seams is highly robust, especially in portions where resource is large. A total of 2,834 rows of data from the Bobog drillholes were reviewed. The major seams have significant data coverage. For minor seams, the database is not as robust because only few drillholes intersected them, and for this reason in-fill drilling is recommended.

The number SMPC’s workforce is 3,589 and 3,319 for the years 2016 and 2015, respectively, inclusive of employees based at its head office in Manila. Out of the 3,589 workforce for 2016, 714 are employed by SMPC while the rest are employed by contractors, one of which is DMC Construction Equipment Resources, Inc., an affiliate of Dacon Corporation. SMPC does not anticipate hiring additional employees for the ensuing year except when due to contingencies resulting in separation, resignation, termination of services of existing employees. The breakdown of SMPC’s employees according to type, are as follows:

Executive	13
Managers	29
Supervisors	113
Rank and File	559
<b>Total</b>	<b>714</b>

<sup>2</sup> Formerly SEM-Balayan Power Generation Corporation.

<sup>3</sup> Renewal of the permit is pending with the Philippine Ports Authority.

On the other hand, in 2016 total number of SCPC workforce is 659, of which 587 are indirectly employed inclusive of the O&M contractor employees at SCPC's Calaca Power Plant. In 2015, its workforce was 640. SLPGC's workforce total 179, of which 144 are employees while SMPC's other subsidiaries, namely, SIPDI, SCI, SEUI, and SBPGC are non-operational, hence, no employees were hired.

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

SMPC has obtained all necessary government permits for its operations. SMPC has been implementing the necessary programs to comply with all regulatory requirements, particularly its ECC, which includes Regular Monitoring by the Multi-partite Monitoring Team (MMT) Marine Assessment Studies/Surveys, Social Development Programs, Reforestation Programs, etc. From 2001-2006 the Corporation has spent ₱23.6 Million for Social and Environmental Programs such as expanded mangrove areas, initiated and supported livelihood projects, implemented reforestation programs on the island, and cultivated fresh water sanctuary.

SMPC is legally required to fulfill certain obligations as required under its ECC issued by DENR when it abandons depleted mine pits. SMPC recognizes this liability and set up an "Asset Retirement Obligation" account in its Balance Sheet.

SMPC's has established an Environmental Monitoring Fund for MMT, which has an initial amount of ₱600,000, 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 SMPC.

In 2008, SMPC obtained ISO certification on Integrated Management System covering three (3) standards as follows: Quality Management System (ISO 9001:2008), Environmental Management System (ISO 14001:2004), and Occupational Health and Safety Management System (OSHAS 18001:2007).

Meanwhile, SMPC's existing legal cases, are as follows:

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, 2<sup>nd</sup> 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, 1<sup>st</sup> 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-Calooacan (Civil Case No. C-20675). However, RTC-Calooacan 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. The case is 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 grants 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 case is 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. The case remains pending to date.
4. **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. Awaiting further orders from the CA.
  5. **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.
  6. **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. The Court has yet to set the case of Preliminary Conference.
  7. **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. The case remains pending to date.
  8. **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. The case remains pending to date.

9. **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. Juntilla appealed the case, which remains pending to date.
10. **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 1<sup>st</sup> 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. To date the cases remained pending with the SC and CA, respectively.

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. The petition is pending resolution by the CTA.

Except for the foregoing cases, SMPC 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. SMPC is listed in the Philippine Stock Exchange (PSE). There has been no substantial trading since 1983 or 17 years. DMCI Holdings, Inc. (DHI) however in 2004 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

SMPC's authorized capital stock and the subscription of DHI to 19,120,581 additional shares in 2004.

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

On April 8, 2010 SMPC 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, SMPC 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.

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

	<u>High</u>	<u>Low</u>	<u>Close</u>
<b><u>2014</u></b>			
Jan-Mar	139.33	93.67	136.67
Apr-Jun	139.67	116.67	122.13
July-Sep	143.80	116.67	123.00
Oct-Dec	142.10	115.90	142.00
<b><u>2015</u></b>			
Jan-Mar	168.70	140.00	167.00
Apr-Jun	169.60	136.20	142.50
July-Sep	147.00	110.80	136.10
Oct-Dec	143.00	128.80	136.50
<b><u>2016</u></b>			
Jan-Mar	138.80	117.30	131.30
Apr-Jun	132.50	112.00	125.10
July-Sep	126.10	95.50	113.90
Oct-Dec	135.00	113.90	130.00
<b><u>2017</u></b>			
Jan-Mar <sup>4</sup>	154.40	129.70	147.40

- (2) **Holders.** – The number of shareholders of record as of March 10, 2017 is 693, and SMPC has 1,068,750,000 common shares issued. On August 15, 2016, the Board approved the buy-back of its shares. The buy-back program was undertaken to enhance shareholder's value and to provide stockholders an opportunity to liquidate their investments. To date, the Corporation's treasury shares is at 3,463,570 and its outstanding shares have been reduced to 1,065,286,430.

<b>Title Of Class</b>	<b>Name</b>	<b>Number Of Shares Held</b>	<b>% of Total</b>
Common	DMCI Holdings, Inc.	601,942,599	56.51
Common	PCD Nominee Corp. (Filipino)	160,284,673	15.05
Common	Dacon Corporation	133,248,352	12.51
Common	PCD Nominee Corp. (Foreign)	92,117,212	08.65
Common	Others	77,693,594	07.29

<sup>4</sup> As of March 10, 2017.

Names of Top Twenty (20) Stockholders as of March 10, 2017 (Common Stockholders):

No.	Name of Stockholders	No. of Shares	Percentage <sup>5</sup>
1.	DMCI Holdings, Incorporated	601,942,599	56.51
2.	PCD Nominee Corp. (Filipino)	160,284,673	15.05
3.	Dacon Corporation	133,248,352	12.51
4.	PCD Nominee Corp. (Foreign)	92,117,212	8.65
5.	Privatization Management Office	36,402,324	3.42
6.	DFC Holdings, Inc.	20,591,229	1.93
7.	Freda Holdings, Inc.	4,612,883	0.43
8.	Guadalupe Holdings Corporation	2,681,414	0.25
9.	Regina Capital Development Corp.	2,444,850	0.23
10.	Fernwood Investments, Inc.	2,416,941	0.23
11.	Double Spring Investments Corporation	1,660,305	0.16
12.	Berit Holdings Corporation	1,041,409	0.10
13.	Dacon Corporation	823,380	0.08
14.	Augusta Holdings, Inc.	760,425	0.07
15.	Fernwood Investments Inc.	753,065	0.07
16.	Meru Holdings, Inc.	346,800	0.03
17.	Great Times Holdings Corporation	302,559	0.03
18.	Cobankiat, Johnny O.	278,760	0.03
19.	Vendivel, Olga P.	240,000	0.02
20.	Windermere Holdings Inc.	190,542	0.02

- (i) The table sets forth the record or beneficial owners of more than 5% of the outstanding Common Shares of SMPC, which are entitled to vote and the amount of such record or beneficial ownership as of March 10, 2017:

Title Of Class	Name	Number Of Shares Held	% of Total
Common	DMCI Holdings, Inc.	601,942,599	56.51
Common	PCD Nominee Corp. (Filipino)	160,284,673	15.05
Common	Dacon Corporation	133,248,352	12.51
Common	PCD Nominee Corp. (Foreign)	92,117,212	8.65

- (ii) each director and nominee

Office	Names
Chairman & CEO	Isidro A. Consunji
President & COO	Victor A. Consunji
Independent Director	Rogelio M. Murga
Independent Director	Victor C. Macalincag
Director	Jorge A. Consunji
Director	Cesar A. Buenaventura
Director	Herbert M. Consunji
EVP & Director	Maria Cristina C. Gotianun
Director	Ma. Edwina C. Laperal
Director	Josefa Consuelo C. Reyes

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

<sup>5</sup> Based on SMPC's issued and outstanding shares recorded with its Stock and Transfer Agent.

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership			Citizenship	%
		Direct	Indirect <sup>6</sup>	Total		
Common	Isidro A. Consunji	6,036	1,169,918	1,175,954	Filipino	0.11
Common	Cesar A. Buenaventura	18,030	-	18,030	Filipino	0.00
Common	Victor A. Consunji	36	2,964,724	2,964,760	Filipino	0.28
Common	Jorge A. Consunji	36	433,089	433,125	Filipino	0.04
Common	Herbert M. Consunji	32,280	-	32,280	Filipino	0.00
Common	Victor C. Macalincag	808,890	19,100	827,990	Filipino	0.08
Common	Rogelio M. Murga	10,010	-	10,010	Filipino	0.00
Common	Maria Cristina C. Gotianun	357	1,737,943	1,738,300	Filipino	0.16
Common	Ma. Edwina C. Laperal	1,047	1,435,682	1,436,729	Filipino	0.13
Common	Josefa Consuelo C. Reyes	103,100	346,800	449,900	Filipino	0.04
Common	Jaime B. Garcia	144,108	-	144,108	Filipino	0.01
Common	Nena D. Arenas	4,000	-	4,000	Filipino	0.00
Common	Antonio R. Delos Santos	15,000	-	15,000	Filipino	0.00
Common	Jose Anthony T. Villanueva	750	13,890	14,640	Filipino	0.00
Common	Sharade E. Padilla	3,600	270	3,870	Filipino	0.00
Common	Ruben P. Lozada	118,800	-	118,800	Filipino	0.01
Aggregate Ownership of all directors and officers as a group		<b>1,266,080</b>	<b>8,121,416</b>	<b>9,387,496</b>	Filipino	0.88

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

Year	Board Approval	Nature	Dividend/Share (PHP)	Total Amount of Dividend (PHP)	Record Date	Payment Date
2015	April 22, 2015	Cash	4.00	4,275,000,000.00	May 7, 2015	May 20, 2015
2016	April 29, 2016	Cash	4.00	4,275,000,000.00	May 17, 2016	May 27, 2016

- (4) **Recent Sales of Unregistered or Exempt Securities.** - No unregistered or exempt securities were sold in 2016, 2015 and 2014.

### PART III-FINANCIAL INFORMATION

#### A. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (YEARS 2013-2016)

##### 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.

<sup>6</sup> Shares are either held by family members sharing the same household or by a corporation of which the reporting person is a controlling shareholder.

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.

COMPARATIVE PRODUCTION DATA											
<i>(in '000, except Strip Ratio)</i>											
	Q1 '15	Q2 '15	Q3 '15	Q4 '15	FY '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	FY '16	%Inc (Dec)
<b>Total Materials (bcm)</b>	26,284	27,800	9,529	25,005	88,618	30,787	36,534	23,767	34,337	125,426	42%
<b>Clean Coal (tons)</b>	2,325	2,134	1,113	2,408	7,979	3,426	1,996	2,841	3,648	11,911	49%
<b>Low-grade coal</b>	382	329	160	290	1,161	272	181	111	336	900	-22%
<b>Strip Ratio</b>	9.21:1	10.31:1	6.78:1	8.63:1	9.02:1	7.61:1	16.07:1	7.34:1	7.91:1	9.08:1	1%
<b>Beg. Inventory (MTs)</b>	-	317	634	748	-	829				829	-100%
<b>End Inventory (MTs)</b>	317	634	748	829	829					-	#DIV/0!

<i>(in millions except strip ratio)</i>	ACTUAL					ACTUAL					VARIANCE	
	Q1	Q2	Q3	Q4	2016	Q1	Q2	Q3	Q4	2015	vs 2015	
<b>PRODUCTION</b>												
<b>Total Materials (BCM)</b>	30.8	36.5	23.8	34.3	125.4	26.3	27.8	9.5	25.0	88.6	36.8	42%
<b>Pre-Stripping (BCM)</b>	-	28.1	18.9		47.0				22.0	22.0	25.0	0%
<b>Prod'n Stripping (BCM)</b>	30.8	8.5	4.9	34.3	78.5	26.3	27.8	9.5	3.0	66.6	11.8	18%
<b>Clean Coal (MT)</b>	3.4	2.0	2.8	3.6	11.9	2.3	2.2	1.1	2.4	8.0	3.9	49%
<b>Strip Ratio (W:C)</b>	8.3	3.5	1.0	8.7	5.9	10.6	12.0	8.3	0.5	7.6	(1.8)	-23%
<b>Saleable Coal (MT)</b>	3.4	2.0	2.8	3.6	11.9	2.3	2.1	1.0	2.6	8.0	3.9	49%
<b>Unwashed Coal (MT)</b>	0.3	0.2	0.1	0.3	0.9	0.4	0.3	0.2	0.3	1.1	(0.2)	-22%
<b>Beg. Inventory (MT)</b>	0.8	1.8	0.4	0.8	0.8	0.4	0.3	0.6	0.3	0.4	0.4	115%
<b>End Inventory (MT)</b>	1.8	0.4	0.4	0.4	0.4	0.3	0.6	0.3	0.8	0.8	(0.4)	-51%



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

## 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)
<b>Gross Generation, GWh</b>											
Unit 3	-	-	107	52	160	65	250	255	141	711	345%
Unit 4	-	-	8	43	51	152	287	111	122	672	1207%
<b>Total Plant</b>	-	-	<b>115</b>	<b>96</b>	<b>211</b>	<b>217</b>	<b>537</b>	<b>366</b>	<b>263</b>	<b>1,383</b>	<b>555%</b>
<b>% Availability</b>											
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%
<b>Total Plant</b>	<b>0%</b>	<b>0%</b>	<b>26%</b>	<b>20%</b>	<b>9%</b>	<b>45%</b>	<b>93%</b>	<b>69%</b>	<b>60%</b>	<b>69%</b>	<b>686%</b>
<b>Capacity Factor</b>											
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%
<b>Total Plant</b>	<b>0%</b>	<b>0%</b>	<b>17%</b>	<b>15%</b>	<b>6%</b>	<b>33%</b>	<b>81%</b>	<b>55%</b>	<b>40%</b>	<b>57%</b>	<b>870%</b>

## 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%
<b>Power Plants</b>	<b>1,012</b>	<b>1,192</b>	<b>967</b>	<b>1,085</b>	<b>4,256</b>	<b>33%</b>	<b>980</b>	<b>932</b>	<b>966</b>	<b>1,055</b>	<b>3,933</b>	<b>47%</b>	<b>8%</b>
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%
<b>Total</b>	<b>2,902</b>	<b>3,674</b>	<b>3,022</b>	<b>3,217</b>	<b>12,814</b>	<b>100%</b>	<b>2,404</b>	<b>4,230</b>	<b>1,898</b>	<b>2,300</b>	<b>8,428</b>	<b>100%</b>	<b>52%</b>

## 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-through, 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%
<b>GRAND TOTAL</b>	<b>982</b>	<b>1,096</b>	<b>957</b>	<b>719</b>	<b>3,754</b>	<b>424</b>	<b>966</b>	<b>982</b>	<b>950</b>	<b>3,322</b>	<b>-12%</b>
<b>Composite Ave Price</b>	<b>3.56</b>	<b>3.37</b>	<b>3.30</b>	<b>3.40</b>	<b>3.41</b>	<b>3.90</b>	<b>2.97</b>	<b>3.16</b>	<b>3.53</b>	<b>3.31</b>	<b>-3%</b>

## 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%
<b>GRAND TOTAL</b>	<b>-</b>	<b>-</b>	<b>107</b>	<b>102</b>	<b>209</b>	<b>250</b>	<b>507</b>	<b>377</b>	<b>344</b>	<b>1,478</b>	<b>608%</b>
<b>Composite Ave Price</b>			<b>2.56</b>	<b>4.51</b>	<b>3.51</b>	<b>4.22</b>	<b>4.13</b>	<b>4.45</b>	<b>4.97</b>	<b>4.42</b>	<b>26%</b>

## 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

	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
<b>Total</b>	<b>24,680</b>	<b>36,584</b>	<b>48%</b>	increased coal & SLPGC revenues offset drop in SCPC revenues

SLPGC	67	2,472	3583%	Already in commercial operations, hence cost is already under cost of sales
-------	----	-------	-------	---

#### After Eliminations (Consolidated)

	2014	2015	Variance	Remarks
Coal	10,228	6,388	-38%	lower sales volume and lower cost of sales per MT reduced total cost of sales
Power	8,699	4,154	-52%	More reliable plants' performance improved cost in 2015
<b>Total</b>	<b>18,927</b>	<b>10,542</b>	<b>-44%</b>	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	5,025	-42%	SCPC and SLPGC contributed PHP8.66 billion and PHP108.96 million, respectively, this year.
SLPGC	81	3,752	4557%	
<b>Total</b>	<b>14,138</b>	<b>17,843</b>	<b>26%</b>	Lower cost offset decrease in revenues
<i>Gross Profit Margin</i>	<i>57%</i>	<i>49%</i>	<i>-15%</i>	

#### Consolidated OPEX

	2015	2016	Variance	Remarks
Coal	2,336	3,223	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	253	249%	Non-capitalizable expenses
Others	5	1	-90%	OPEX of pre-operating subsidiaries
<b>Total</b>	<b>4,389</b>	<b>4,956</b>	<b>13%</b>	Increase is mainly driven by coal business' growth in OPEX

### Consolidated Finance Income

	2015	2016	Variance	Remarks
Coal	23	44	96%	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
<b>Total</b>	<b>58</b>	<b>87</b>	<b>50%</b>	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.
<b>Total</b>	<b>278</b>	<b>599</b>	<b>115%</b>	Higher interest expense 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)	(349)	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.
<b>Total</b>	<b>(300)</b>	<b>(405)</b>	<b>35%</b>	Weaker PHP vs USD in 2016

### Consolidated Other Income

	2015	2016	Variance	Remarks
Coal	248	175	-30%	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
<b>Total</b>	<b>441</b>	<b>945</b>	<b>114%</b>	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	5,485	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
<b>Total</b>	<b>9,669</b>	<b>12,913</b>	<b>34%</b>	Higher coal and SLPGS profitability offset drop in SCPC earnings

### Consolidated Income Tax Provision

	2015	2016	Variance	Remarks
Coal	(38)	62	-263%	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 liabilities
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
<b>Total</b>	<b>1,182</b>	<b>866</b>	<b>-27%</b>	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

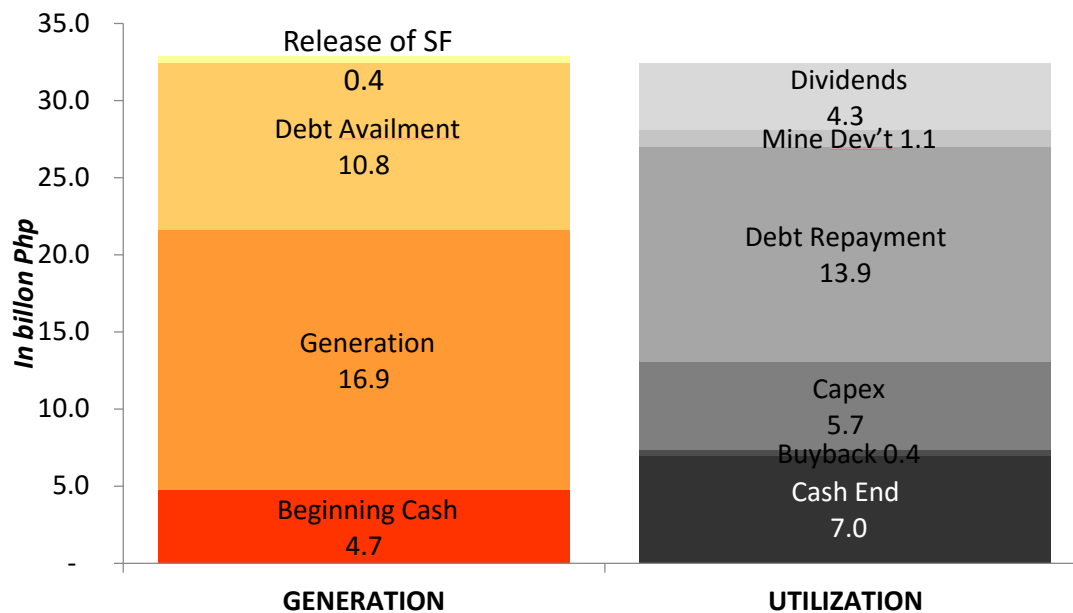
#### Before Eliminations (Core Income)

	2015	2016	Variance	Remarks
Coal	5,255	7,495	43%	Growth in income is due to higher coal sales volume.
SCPC	3,282	1,414	-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	5,423	86%	Growth in income is due to higher coal sales volume. Revenues from coal sold to own power units is eliminated.
SCPC	5,497	2,896	-47%	More plant downtimes translated to lower revenues and lower profitability in 2016.
SLPGC	86	3,725	4238%	Higher energy sales, further augmented by 46% better average price/KWh of power sold boosted profitability. SLPGC also enjoys ITH
Others	(5)	(4)	-10%	Net expenses of pre-operating subsidiaries
<b>Total</b>	<b>8,487</b>	<b>12,041</b>	<b>42%</b>	Higher coal and SLPGC profitability offsets drop in SCPC earnings
<b>EPS</b>	<b>7.94</b>	<b>11.31</b>	<b>42%</b>	2016 outstanding shares is net of 3.46 million shares held in treasury.

## B. Solvency and Liquidity



Internal cash generation in the first nine months of operations this year amounted to PHP16.9 billion. Consolidated loan availments amounted to PHP10.8 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 PHP4.7 billion, total consolidated Cash available during the period stood at PHP32.4 billion.

Of the available cash, PHP5.7 billion was used to fund major CAPEX, We paid debts amounting to PHP13.9 billion and spent PHP5.7 billion for CAPEX. The Company also paid cash dividends amounting to PHP4.3 billion in Q2. PHP1.3 billion was spent for mine development. 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 PHP351 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 1.18x from 0.90x 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
<b>Total</b>	<b>4,746</b>	<b>6,993</b>	<b>47%</b>	Good performance 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 sales in 2016.
SCPC	1,190	2,106	77%	
SLPGC	246	1,423	478%	Mainly trade-related; increase due to higher sales in 2016.
<b>Total</b>	<b>2,781</b>	<b>5,980</b>	<b>115%</b>	Stronger revenues increased trade 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%	Comprised of coal inventory (Php 355 million), spare parts inventory for corrective, preventive and predictive maintenance program (Php 284 million) and other chemicals (Php 10 million)
<b>Total</b>	<b>4,383</b>	<b>5,386</b>	<b>23%</b>	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

##### 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	168	-90%	2016 inclusive of VAT input taxes currently recoverable amounting to Php 1,635 million.
<b>Total</b>	<b>2,723</b>	<b>1,162</b>	<b>-57%</b>	

**Consolidated Total Current Assets**

	2015	2016	Variance	Remarks
Coal	7,333	10,334	41%	
SCPC	4,041	5,063	25%	
SLPGC	3,236	4,097	27%	
Others	23	26	15%	
<b>Total</b>	<b>14,633</b>	<b>19,521</b>	<b>33%</b>	

**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	14,934	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 pre-operating subsidiary
<b>Total</b>	<b>36,743</b>	<b>43,361</b>	<b>18%</b>	Increase in PPE mainly caused by increased coal PPE

**Investment in JV**

	2015	2016	Variance	Remarks
Coal	460	52	-89%	The company entered in to a JV with Meralco PowerGen Corp. in 2015

**Investment in Sinking Fund**

	2015	2016	Variance	Remarks
SCPC	1,771	69	-96%	The decrease is due to the release of the sinking fund

**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	1,771	46%	Unrealized input tax
Others	149	156	5%	
<b>Total</b>	<b>1,771</b>	<b>2,371</b>	<b>34%</b>	

**Exploration and Evaluation Asset**

	2015	2016	Variance	Remarks
Coal	3,015	-		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%	
SCPC	423	465	10%	
SLPGC	2	(0)	-100%	Utilized in Q1 tax payable
Others	0	1	11%	Deferred tax assets of pre-operating subsidiaries
<b>Total</b>	<b>536</b>	<b>520</b>	<b>-3%</b>	Php 42 million is related to allowance for impairment losses (tax effect)

**Consolidated Total Non-Current Assets**

	2015	2016	Variance	Remarks
Coal	7,581	10,528	39%	Reclassification to PPE of Exploration and Evaluation Asset
SCPC	15,958	15,717	-2%	
SLPGC	18,665	19,977	7%	
Others	321	150	-53%	Non-current assets of pre-operating subsidiaries
<b>Total</b>	<b>42,525</b>	<b>46,372</b>	<b>9%</b>	

**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	20,780	4%	Mainly driven by substantial increase in receivables due to _____
SLPGC	21,902	24,075	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
<b>Total</b>	<b>57,157</b>	<b>65,894</b>	<b>15%</b>	Operating segments' asset base further strengthened in 2016

**LIABILITIES**
**Accounts and Other Payables**

	2015	2016	Variance	Remarks
Coal	4,464	7,859	76%	
SCPC	1,709	2,380	39%	
SLPGC	1,768	2,910	65%	
Others	192	0	-100%	Cash balances of pre-operating subsidiary
<b>Total</b>	<b>8,133</b>	<b>13,148</b>	<b>62%</b>	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			
SCPC		1,600		
<b>Total</b>	<b>2,993</b>	<b>1,600</b>	<b>-47%</b>	

**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
SLPGC	1,694	1,704	1%	
<b>Total</b>	<b>5,191</b>	<b>1,832</b>	<b>-65%</b>	

**Total Current Liabilities**

	2015	2016	Variance	Remarks
Coal	9,424	7,859	-17%	
SCPC	3,239	4,108	27%	
SLPGC	3,461	4,613	33%	
Others	192	0	-100%	Total current liabilities of pre-operating subsidiary
<b>Total</b>	<b>16,316</b>	<b>16,580</b>	<b>2%</b>	

**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%	Long-term loan maturity is in 2017
SLPGC	9,344	7,640	-18%	Continuous amortization of project finance loan brought down its balance
<b>Total</b>	<b>11,360</b>	<b>13,258</b>	<b>17%</b>	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%	
SCPC	15	27	81%	
SLPGC		19		
<b>Total</b>	<b>87</b>	<b>114</b>	<b>31%</b>	

**Provision for Site Rehabilitation**

	2015	2016	Variance	Remarks
Coal	501	1,593	218%	
SCPC	13	14	9%	
<b>Total</b>	<b>514</b>	<b>1,606</b>	<b>213%</b>	

**Other Long-Term Liabilities**

	2015	2016	Variance	Remarks
Coal			0%	
SLPGC		42	0%	
<b>Total</b>	<b>-</b>	<b>42</b>	<b>0%</b>	

**Total Non-Current Liabilities**

	2015	2016	Variance	Remarks
Coal	3,040	7,278	139%	
SCPC	795	41	-95%	
SLPGC	10,105	7,701		
<b>Total</b>	<b>13,940</b>	<b>15,020</b>	<b>8%</b>	

## EQUITY

### **Capital Stock**

	2015	2016	Variance	Remarks
Coal (Parent)	1,069	1,069	0%	No changes. Par value at Php1 / share

### **Additional Paid-in Capital**

	2015	2016	Variance	Remarks
Coal (Parent)	6,676	6,676	0%	No changes.

### **Treasury Shares**

	2015	2016	Variance	Remarks
Coal (Parent)		388		Purchase of 3.46 million SCC shares in 2016

### **Remeasurement Gain / (Losses) on Pension Plan**

	2015	2016	Variance	Remarks
Coal	(16)	8	-150%	Gain on actuarial valuation
SCPC		(2)	0%	
SLPGC		4	0%	
<b>Total</b>	<b>(16)</b>	<b>10</b>	<b>-162%</b>	

### **Retained Earnings / (Losses)**

	2015	2016	Variance	Remarks
Coal	10,637	16,546	56%	Strong 2016 profitability resulted to increase in retained earnings
SCPC	8,549	6,730	-21%	Weaker profits in 2016; retained earning dropped after declaration and payment of cash dividends
SLPGC	9	3,689	41647%	Power units already in commercial operations; strong 2016 earnings
Others	(8)	(6)	-23%	Losses of pre-operating subsidiaries
<b>Total</b>	<b>19,187</b>	<b>26,959</b>	<b>41%</b>	Growth fueled by robust coal and SLPGC earnings in 2016

## **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 0.92x 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 refueling 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 or loss from continuing operations.
7. There were no subsequent events that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements.
8. The Group's operation is not cyclical or seasonal in nature. Mining activities is continuous throughout the year as coal production output from period to period can be adjusted through efficient mine planning on both short-term and long-term, mitigating negative impact of the rainy season to mine operations. The power generation business is also operational throughout the year as maintenance shutdown is just part of normal operation of the plant and programmed ahead of time.
9. On 12 February 2016, the Department of Environment and Natural Resources approved the Company's application to increase maximum mineable capacity from 8 million MTs to 12 million MTs 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.

<b>COMPARATIVE PRODUCTION DATA</b>											
<i>(in '000, except Strip Ratio)</i>											
	<b>Q1 '15</b>	<b>Q2 '15</b>	<b>Q3 '15</b>	<b>Q4 '15</b>	<b>FY '15</b>	<b>Q1 '14</b>	<b>Q2 '14</b>	<b>Q3 '14</b>	<b>Q4 '14</b>	<b>FY '14</b>	<b>%Inc (Dec)</b>
<b>Total Materials (bcm)</b>	26,284	27,800	9,529	25,005	88,618	28,135	26,385	22,745	26,032	103,297	-14%
<b>Gross Product Coal (MT)</b>	2,325	2,134	1,113	2,408	7,979	2,353	2,513	2,145	950	7,961	0%
<b>Strip Ratio</b>	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%
<b>Net TPC (MT)</b>	2,302	2,112	1,182	2,384	7,980	2,329	2,488	2,123	1,144	8,084	-1%
<b>Beg. Inventory (MTs)</b>	386	317	634	748	386	1,277	1,279	1,623	1,966	1,277	-70%
<b>End Inventory (MTs)</b>	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 generation 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)
<b>Gross Generation, GWh</b>											
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%
<b>Total Plant</b>	<b>1,014</b>	<b>1,151</b>	<b>998</b>	<b>795</b>	<b>3,959</b>	<b>489</b>	<b>404</b>	<b>855</b>	<b>1,092</b>	<b>2,840</b>	<b>39%</b>
<b>% Availability</b>											
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%
<b>Total Plant</b>	<b>84%</b>	<b>96%</b>	<b>90%</b>	<b>80%</b>	<b>87%</b>	<b>48%</b>	<b>41%</b>	<b>81%</b>	<b>99%</b>	<b>67%</b>	<b>30%</b>
<b>Capacity Factor</b>											
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%
<b>Total Plant</b>	<b>78%</b>	<b>87%</b>	<b>75%</b>	<b>61%</b>	<b>75%</b>	<b>38%</b>	<b>30%</b>	<b>65%</b>	<b>83%</b>	<b>54%</b>	<b>39%</b>

### 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)
<b>Power Plants</b>													
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%
<b>TOTAL PPs</b>	<b>980</b>	<b>932</b>	<b>966</b>	<b>1,055</b>	<b>3,933</b>	<b>47%</b>	<b>499</b>	<b>413</b>	<b>620</b>	<b>804</b>	<b>2,336</b>	<b>26%</b>	<b>68%</b>
<b>Other Industries</b>													
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%
<b>Total Others</b>	<b>371</b>	<b>360</b>	<b>369</b>	<b>289</b>	<b>1,389</b>	<b>16%</b>	<b>348</b>	<b>304</b>	<b>292</b>	<b>363</b>	<b>1,307</b>	<b>15%</b>	<b>6%</b>
<b>TOTAL LOCAL</b>	<b>1,351</b>	<b>1,292</b>	<b>1,336</b>	<b>1,344</b>	<b>5,323</b>	<b>63%</b>	<b>847</b>	<b>716</b>	<b>912</b>	<b>1,167</b>	<b>3,643</b>	<b>41%</b>	<b>46%</b>
<b>EXPORT</b>	<b>1,054</b>	<b>534</b>	<b>562</b>	<b>956</b>	<b>3,105</b>	<b>37%</b>	<b>1,462</b>	<b>1,407</b>	<b>846</b>	<b>1,531</b>	<b>5,246</b>	<b>59%</b>	<b>-41%</b>
<b>GRAND TOTAL</b>	<b>2,404</b>	<b>1,826</b>	<b>1,898</b>	<b>2,300</b>	<b>8,428</b>	<b>100%</b>	<b>2,309</b>	<b>2,124</b>	<b>1,758</b>	<b>2,698</b>	<b>8,889</b>	<b>100%</b>	<b>-5%</b>

## 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 has 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%
<b>Grand Total</b>	<b>982</b>	<b>1,096</b>	<b>957</b>	<b>719</b>	<b>3,754</b>	<b>425</b>	<b>886</b>	<b>981</b>	<b>1,091</b>	<b>3,383</b>	<b>11%</b>
Composite Ave. Price	3.56	3.37	3.30	3.40	3.41	4.40	3.73	3.50	3.40	3.64	-6%

## SLPGC

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

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

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

## III. FINANCE

### A. Sales and Profitability

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

Consolidated Cost of Sales dropped 44% YoY to PHP10.54 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 totalling 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 a 8% increase YoY in Finance Cost to PHP129.65 million from PHP119.94 million last year. Meanwhile, after servicing its long-term loan and paying off its short-term loans, SCPC's interest-bearing loans declined 62% YoY to PHP2.30 billion from PHP3.82 billion last year; its Finance Cost decreased 26% YoY to PHP147.23 million from PHP197.73 million last. The benchmark of SCPC's long-term loan is changed to PDST-R2 from PDST-F, while margin is increased from 100bps to 120bps. On the contrary, SLPGC's loans increased 14% YoY to PHP11.50 billion from PHP10.09 billion last year, but Finance Cost dropped 66% to PHP1.78 million from PHP5.26 million last year due to capitalization of interest expenses.

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

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

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

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

## **B. Solvency and Liquidity**

Internal cash generation in the first nine months of operations this year amounted to PHP10.68 billion. Consolidated loan availments amounted to PHP9.88 billion, broken down as follows: coal's medium-term loan fund maintenance CAPEX amounting to PHP7.22 billion, SCPC's

short-term working capital loans of PHP1.80 billion, and SLPGC's remaining project finance line of PHP1.01 billion. Coal received PHP76.46 million from sale of retired assets and SCPC receipt of the adjustment of the Sinking Fund of PHP61.55 million Combined with beginning Cash of PHP3.68 billion, total consolidated Cash available during the period stood at PHP24.40 billion.

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

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

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

Net increase in consolidated Cash during the period stood at PHP1.06 billion. Consolidated Ending Cash closed at PHP4.75 billion, posting a 29% growth from beginning balance of PHP3.68 billion. Coal, SCPC, and SLPGC recorded ending cash of PHP2.64 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. Financial Condition**

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

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

Consolidated Cash and Cash Equivalents grew 29% YoY to PHP4.75 billion from PHP3.68 billion beginning balance. The Coal segment's cash increased 40% YoY to PHP2.64 billion from PHP1.89 billion as at the start of the year, despite additional equity infusion to SLPGC and dividend payout. Meanwhile, SCPC's strong income generation beefed up its cash position to more than double the beginning level at PHP881.39 million from PHP390.38 million beginning balance. Meanwhile, SLPGC's undisbursed cash from 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 uncollectibility of the questioned spot sales in Q4 2013. Due to a wide gap in power demand and supply in the last two months of 2013, spot prices surged. While the Energy Regulatory Commission issued a resolution invalidating market prices on November and December 2013, and instead imposed administrative pricing, a case is still pending before the Supreme Court on the issue. The company is still waiting for further development of the case. SLPGC recorded PHP245.99 million in Trade Receivables for sales realized during plant commissioning.

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

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

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

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

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

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

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

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

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

Consolidated Total Liabilities increased slightly by 4% to PHP30.26 billion from PHP29.20 billion beginning balance. Coal, SCPC, SLPGC and SRPG, 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 represents 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%.
3. **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 1.12x from 1.29x in 2014.

4. **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.
5. **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 or loss from continuing operations.
7. There were no subsequent events that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements.
8. The Group's operation is not cyclical or seasonal in nature. Mining activities is continuous throughout the year as coal production output from period to period can be adjusted through efficient mine planning on both short-term and long-term, mitigating negative impact of the rainy season to mine operations. The power generation business is also operational throughout the year as maintenance shutdown is just part of normal operation of the plant and programmed ahead of time.
9. On 12 February 2016, the Department of Environment and Natural Resources approved the Company's application to increase maximum mineable capacity from 8 million MTs to 12 million MTs.
10. On 24 February 2016, the Board of Investments (BOI) approved the Company's application for registration for its Molave mine. As a BOI-registered enterprise, the Company is entitled to benefits like Income Tax Holiday.

#### Full Years 2013-2014

#### I. PRODUCTION – COMPARATIVE REPORT 2014 vs 2013

##### Coal

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

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

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

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

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

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

#### SCPC

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

#### Unit One

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

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

#### Unit Two

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

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

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

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

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

### Coal

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

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

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

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

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

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

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

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

### POWER

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

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

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

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

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

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

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

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

### III. FINANCE

#### A. Sales and Profitability

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

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

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

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

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

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

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

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

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

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

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

Both operating business units enjoy Income Tax Holidays (ITH) as Board of Investments-registered companies. Moreover, SCPC recorded Net Operating Loss Carry Over (NOLCO) for losses incurred in purchase of replacement power to service bilateral power supply contracts amounting to PHP2.125 billion million. As a result, the Company recorded consolidated Benefit from Income Tax of PHP552.87 million as against last year's deferred tax benefit of PHP117.84 million. Coal and SLPGC recorded minimal Income Taxes of PHP81.51 million and PHP1.32 million, respectively.

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

## **B. Solvency and Liquidity**

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

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

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

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

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



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

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

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

### **C. Financial Condition**

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

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

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

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

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

Consolidated Net Inventories decreased 40% YoY at PHP2.79 billion from PHP4.63 billion last year. The coal segment's ending inventory dropped 61% to PHP1.42 billion from beginning balance of PHP3.60 billion due to higher coal sold as against production. This is comprised of cost of ending coal inventory of PHP505.18 million and materials spare parts, fuel, and supplies amounting to PHP917.47 million. Meanwhile the SCPC's inventory of PHP1.38 billion is mainly comprised of coal inventory and spareparts inventory for corrective, preventive and predictive maintenance program.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### IV. PERFORMANCE INDICATORS:

1. **Earnings per Share** – The 9% drop in EPS corresponded to the decrease in NIAT in 2014 as compared to the previous year. While coal segment remained strong despite weaker coal prices, SCPC's performance is mediocre this year due to the delay in commissioning of power unit 2 after its scheduled shut down in H1.
2. **Debt-to-Equity Ratio** – Operating businesses continue to pay down debts to allow additional availments for the expansion project. Hence, the Company maintains a low DE, and thus enjoy preferential borrowing rates.
3. **Business Expansion** – The first phase of power expansion is nearing its completion. The 2 x 150 MW power plants are expected to operate in 2015 and to start contributing to the Company's cashflows and earnings. The Company likewise goes back to the drawing board to plan for the next phase of expansion.
4. **Expanded Market** – Moving forward, the Company expects to increase its local coal sales with the construction of more coal-fired power plants that are designed to use the specifications of Semirara coal. These include its own the expansion projects. In 2014 however, coal sales in the domestic market dropped as SCPC's power unit 2 was down almost half of the year. Meanwhile, the reduced energy generation mostly went to contracted sales. Minimal volume was sold to spot.
5. **Coal Reserves** – Additional coal reserves with high calorific value enabled the coal segment to deliver better quality coal. This gave additional premium to Semirara coal, and significantly contributed in maintaining the composite average coal selling price at almost last year's level despite the drop in global coal prices. Moreover, the use of this high grade coal by Unit 1 of the company's power plant at Calaca, Batangas in the last quarter resulted to increased capacity.

#### V. OTHER INFORMATION:

1. There were no known trends, events or uncertainties that have material impact on liquidity.
2. The Corporation provides interim corporate suretyship in favor of the lenders of SCPC for its PHP9.6 billion 7-year loan availed on 26 May 2010. The security may however be suspended within the term of the loan when the conditions set forth in the loan contract are met. SCPC started to amortize the loan in 2011; as at end of the year outstanding balance decreased to PHP3.84 billion. Also, the corporation provides interim corporate suretyship in favor of the lenders of SLPGC for the project debt facility amounting to P11.5 billion to finance the on-going construction of 2x150MW power plant expansion at Calaca, Batangas. As of December 31, 2013, the total amount drawn from said debt facility is P10.49 billion.
3. There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.

4. The Corporation has no major purchase commitment of mining equipment, except for the on-going construction of the 1x15 MW CFB Power Plant for its mine operation, a replacement of the old unit with estimated cost of P1.2 billion. For the meantime, this project is financed by short-term and medium-term loans for conversion to long-term loan when deemed necessary, and the on-going construction of 2x150MW power plant expansion at Calaca, Batangas which is financed by project debt facility with 60-40 debt-to equity ratio.
5. For 2015, we expect an increase in the demand for Semirara Coal in the domestic market with the commissioning of new power plants and small boilers that can utilize 100% Semirara coal. This trend is expected to continue in the succeeding years as a result of the competitiveness of Semirara Coal over imported coal.
6. There are no significant elements of income or loss from continuing operations.
7. There were no subsequent events that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements.
8. The Group's operation is not cyclical or seasonal in nature. Mining activities is continuous throughout the year as coal production output from period to period can be adjusted through efficient mine planning on both short-term and long-term, mitigating negative impact of the rainy season to mine operations. The power generation business is also operational throughout the year as maintenance shutdown is just part of normal operation of the plant and programmed ahead of time.

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

The principal accountants and external auditors of SMPC and its Subsidiaries<sup>7</sup> 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), SMPC and its Subsidiaries have engaged the services of SGV as external auditor, 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.

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

In Millions Pesos with VAT	
2016	6.0 <sup>8</sup>
2015	5.4 <sup>9</sup>
<b>Total</b>	11.4 <sup>10</sup>

- 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 2016, non-audit fees paid to SGV amounted to PhP89,600.00 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 2016 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 SMPC and its Subsidiaries' accountant on accounting and financial disclosures.
3. SMPC'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 charged 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 ensures that Management responds appropriately with timely corrective actions, including audit adjusting entries noted or proposed but passed as immaterial or otherwise. The current members of the Audit Committee of the Corporation are

<sup>7</sup> Sem-Calaca Power Corp., Southwest Luzon Power Generation Corp., St. Raphael Power Generation Corp., Semirara Claystone Inc., Sem-Cal Industrial Park Developers, Inc. Sem Calaca RES Corp., Semirara Energy Utilities, Inc., and Southeast Luzon Power Generation Corp.

<sup>8</sup> Includes Subsidiaries audit fees of P3.4 Million.

<sup>9</sup> Includes Subsidiaries audit fees of P2.9 Million.

<sup>10</sup> Audit and non audit-related fees; no fees for other assurance and related services were paid.

as follows: (1) Victor C. Macalincag (Chairman); (2) Victor A. Consunji (Member); and Rogelio M. Murga (Member).

**UPON THE WRITTEN REQUEST OF ANY STOCKHOLDER, SMPC WILL PROVIDE, WITHOUT CHARGE, A HARD COPY OF ITS DEFINITIVE INFORMATION STATEMENT, ANNUAL REPORT IN SEC FORM 17-A AND THE CORPORATION'S LATEST QUARTERLY REPORT IN SEC FORM 17-Q DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.**

**ALL REQUESTS MAY BE SENT TO THE FOLLOWING:**

**SEMIRARA MINING AND POWER CORPORATION**

2/F DMCI Plaza

2281 Don Chino Roces Avenue, Makati City

Philippines

ATTENTION: **JOHN R. SADULLO**

VP Legal & Corporate Secretary

**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, 2016 and 2015, 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.

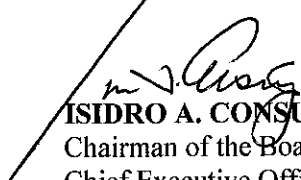
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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 23<sup>rd</sup> day of February 2017.

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

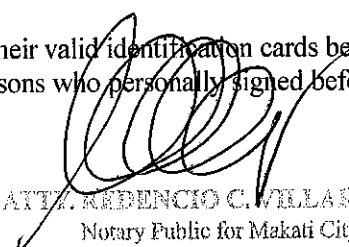
  
**JUNALINA S. TABOR**  
Chief Finance Officer

**SUBSCRIBED AND SWORN**, to before me on this      day of   **MAR 20**   2017,  
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.   157   ;  
Page No.   31   ;  
Book No.   V   ;  
Series of 2017.

  
**ATTY. REDENCIO C. VILLARIVERA**  
Notary Public for Makati City  
For the term ending 31 December 2017  
Roll No. 45335, Appointment No. M-296  
4<sup>th</sup> Flr., Dacon Building 2281  
Pasong Tamo Extension Makati City  
IBP No. 1063912/Jan. 12, 2017/Makati  
PTR No. 5926627/Jan. 12, 2017/Makati  
MCLE No. V-0024343, Nov. 7, 2016

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

0	0	0	0	0	0	9	1	4	4	7
---	---	---	---	---	---	---	---	---	---	---

**COMPANY NAME**

S	E	M	I	R	A	R	A	M	I	N	I	N	G	A	N	D	P	O	W	E	R	C	O	R	P	
O	R	A	T	I	O	N	A	N	D	S	U	B	S	I	D	I	A	R	I	E	S	(	f	o	r	m
e	r	l	y	S	e	m	i	r	a	r	a	M	i	n	i	n	g	C	o	r	p	o	r	a	t	i
o	n	a	n	d	S	u	b	s	i	d	i	a	r	i	e	s	)									

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

2	/	F	D	M	C	I	P	l	a	z	a	,	2	2	8	1	D	o	n	C	h	i	n	o	
R	o	c	e	s	A	v	e	n	u	e	,	M	a	k	a	t	i	C	i	t	y				

Form Type

A	A	F	S
---	---	---	---

Department requiring the report

S	E	C
---	---	---

Secondary License Type, If Applicable

N	/	A
---	---	---

**COMPANY INFORMATION**

Company's Email Address

N/A
-----

Company's Telephone Number

888-3000 / 55
---------------

Mobile Number

N/A
-----

No. of Stockholders

693
-----

Annual Meeting (Month / Day)

First Monday of May
---------------------

Fiscal Year (Month / Day)

December 31
-------------

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

Ms. Junalina S. Tabor
-----------------------

Email Address

jstabor@semirarampc.com
-------------------------

Telephone Number/s

888-3025
----------

Mobile Number

N/A
-----

**CONTACT PERSON'S ADDRESS**

**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.



## 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, 2016 and 2015, 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, 2016, 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, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 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

As disclosed in Notes 3 and 16 to the consolidated financial statements, the Group has recognized provision for decommissioning and site rehabilitation for its open pit mines totaling ₱1,606 million as of December 31, 2016. 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.

#### *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 comprehensive mine rehabilitation plans prepared by the Group's Reforestation Department. 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 9 to the consolidated financial statements, the Group's mining properties and stripping activity asset totaling ₱5,183 million as of December 31, 2016 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 Group's Narra and Molave mines for the remaining life of the 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, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20 IS (Definitive Information Statement), SEC Form 17 A and Annual Report for the year ended December 31, 2016 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.



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*  
Cyril Jasmin B. Valencia  
Partner

CPA Certificate No. 90787

SEC Accreditation No. 1229-AR-1 (Group A),  
May 12, 2015, valid until May 11, 2018

Tax Identification No. 162-410-623

BIR Accreditation No. 08-001998-74-2015,  
February 27, 2015, valid until February 26, 2018

PTR No. 5908770, January 3, 2017, Makati City

February 23, 2017



**SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES**  
**(Formerly Semirara Mining Corporation and Subsidiaries)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 4, 31 and 32)	<b>₱6,993,039,850</b>	₱4,745,608,379
Receivables (Notes 5, 19, 30 and 31)	<b>5,685,581,598</b>	2,780,770,361
Inventories (Notes 6 and 9)	<b>5,386,460,570</b>	4,382,606,923
Investment in joint venture (Note 7)	<b>52,385,054</b>	–
Investment in sinking fund (Notes 10, 14, 30 and 31)	<b>68,716,379</b>	460,234,017
Other current assets (Notes 8 and 29)	<b>2,968,146,401</b>	2,723,488,856
Total Current Assets	<b>21,154,329,852</b>	15,092,708,536
<b>Noncurrent Assets</b>		
Property, plant and equipment (Note 9)	<b>43,352,166,628</b>	36,742,656,343
Exploration and evaluation asset (Note 11)	–	3,015,464,959
Deferred tax assets - net (Note 26)	<b>518,516,979</b>	535,544,818
Other noncurrent assets (Notes 12, 29, 30 and 31)	<b>735,463,043</b>	1,770,662,589
Total Noncurrent Assets	<b>44,606,146,650</b>	42,064,328,709
	<b>₱65,760,476,502</b>	₱57,157,037,245
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 15, 19, 30 and 31)	<b>₱12,220,953,070</b>	₱7,371,993,321
Short-term loans (Notes 13, 30 and 31)	<b>1,600,000,000</b>	2,993,000,994
Current portion of long-term debt (Notes 14, 30 and 31)	<b>1,831,583,887</b>	5,190,727,400
Total Current Liabilities	<b>15,652,536,957</b>	15,555,721,715
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Notes 14, 30 and 31)	<b>13,258,162,966</b>	11,359,881,203
Provision for decommissioning and site rehabilitation (Note 16)	<b>1,606,287,759</b>	513,701,432
Pension liabilities (Note 20)	<b>114,034,778</b>	86,982,778
Other noncurrent liabilities (Notes 12 and 19)	<b>843,142,793</b>	2,739,667,958
Total Noncurrent Liabilities	<b>15,821,628,296</b>	14,700,233,371
Total Liabilities	<b>31,474,165,253</b>	30,255,955,086
<b>Equity</b>		
Capital stock (Notes 17 and 30)	<b>1,068,750,000</b>	1,068,750,000
Additional paid-in capital (Notes 17 and 30)	<b>6,675,527,411</b>	6,675,527,411
Retained earnings (Notes 18 and 30):		
Unappropriated	<b>19,152,984,511</b>	13,887,314,523
Appropriated	<b>7,800,000,000</b>	5,300,000,000
Remeasurement losses on pension plan (Notes 20 and 30)	<b>(23,403,645)</b>	(30,509,775)
Treasury shares (Notes 17 and 30)	<b>(387,547,028)</b>	–
Total Equity	<b>34,286,311,249</b>	26,901,082,159
	<b>₱65,760,476,502</b>	₱57,157,037,245

*See accompanying Notes to Consolidated Financial Statements.*



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

---

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2016	2015	2014
<b>REVENUE</b> (Note 33)			
Coal	₱20,079,462,056	₱11,781,825,168	₱16,276,929,798
Power	16,504,913,084	12,898,346,411	12,308,411,291
	36,584,375,140	24,680,171,579	28,585,341,089
<b>COST OF SALES</b> (Notes 21 and 33)			
Coal	11,013,499,805	6,387,819,465	10,228,011,439
Power	7,687,521,521	4,154,272,904	8,699,475,102
	18,701,021,326	10,542,092,369	18,927,486,541
<b>GROSS PROFIT</b>	17,883,353,814	14,138,079,210	9,657,854,548
<b>OPERATING EXPENSES</b> (Notes 22 and 33)	(4,998,866,240)	(4,389,084,485)	(3,220,999,377)
<b>INCOME FROM OPERATIONS</b>	12,884,487,574	9,748,994,725	6,436,855,171
<b>OTHER INCOME (CHARGES) - Net</b>			
Finance income (Notes 24 and 33)	83,238,696	57,563,749	41,452,768
Finance costs (Notes 23 and 33)	(598,992,706)	(278,187,914)	(323,228,324)
Foreign exchange losses - net (Note 33)	(403,425,989)	(300,056,178)	(52,140,999)
Other income - net (Notes 25 and 33)	938,441,998	440,678,630	205,488,733
	19,261,999	(80,001,713)	(128,427,822)
<b>INCOME BEFORE INCOME TAX</b>	12,903,749,573	9,668,993,012	6,308,427,349
<b>PROVISION FOR (BENEFIT FROM)</b>			
<b>INCOME TAX</b> (Notes 26 and 33)	863,079,585	1,182,083,931	(552,867,130)
<b>NET INCOME</b>	12,040,669,988	8,486,909,081	6,861,294,479
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<b>Items not to be reclassified to profit or loss in subsequent periods</b>			
Remeasurement gains (losses) on pension plan (Note 20)	10,151,614	(24,340,625)	(10,849,524)
Income tax effect	(3,045,484)	7,302,187	3,254,857
	7,106,130	(17,038,438)	(7,594,667)
<b>TOTAL COMPREHENSIVE INCOME</b>	₱12,047,776,118	₱8,469,870,643	₱6,853,699,812
<b>Basic/Diluted Earnings per Share</b> (Note 27)	₱11.28	₱7.94	₱6.42

*See accompanying Notes to Consolidated Financial Statements.*



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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Capital Stock (Note 17)	Additional Paid in Capital (Note 17)	Retained Earnings		Remeasurement Losses on Pension Plan (Note 20)	Treasury Shares (Note 17)	Total
			Unappropriated (Note 18)	Appropriated (Note 18)			
<b>For the Year Ended December 31, 2016</b>							
<b>Balances as of January 1, 2016</b>	<b>₱1,068,750,000</b>	<b>₱6,675,527,411</b>	<b>₱13,887,314,523</b>	<b>₱5,300,000,000</b>	<b>(₱30,509,775)</b>	<b>₱-</b>	<b>₱26,901,082,159</b>
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	-	-	-
<b>Balances as of December 31, 2016</b>	<b>₱1,068,750,000</b>	<b>₱6,675,527,411</b>	<b>₱19,152,984,511</b>	<b>₱7,800,000,000</b>	<b>(₱23,403,645)</b>	<b>(₱387,547,028)</b>	<b>₱34,286,311,249</b>
<b>For the Year Ended December 31, 2015</b>							
<b>Balances as of January 1, 2015</b>	<b>₱1,068,750,000</b>	<b>₱6,675,527,411</b>	<b>₱12,675,405,442</b>	<b>₱2,300,000,000</b>	<b>(₱13,471,337)</b>	<b>₱-</b>	<b>₱22,706,211,516</b>
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	-	-	-
<b>Balances as of December 31, 2015</b>	<b>₱1,068,750,000</b>	<b>₱6,675,527,411</b>	<b>₱13,887,314,523</b>	<b>₱5,300,000,000</b>	<b>(30,509,775)</b>	<b>₱-</b>	<b>₱26,901,082,159</b>
<b>For the Year Ended December 31, 2014</b>							
<b>Balances as of January 1, 2014</b>	<b>₱356,250,000</b>	<b>₱6,675,527,411</b>	<b>₱10,801,610,963</b>	<b>₱2,300,000,000</b>	<b>(₱5,876,670)</b>	<b>₱-</b>	<b>₱20,127,511,704</b>
Comprehensive income							
Net income	-	-	6,861,294,479	-	-	-	6,861,294,479
Other comprehensive loss	-	-	-	-	(7,594,667)	-	(7,594,667)
Total comprehensive income	-	-	6,861,294,479	-	(7,594,667)	-	6,853,699,812
Stock dividends declared	712,500,000	-	(712,500,000)	-	-	-	-
Cash dividends declared	-	-	(4,275,000,000)	-	-	-	(4,275,000,000)
<b>Balances as of December 31, 2014</b>	<b>₱1,068,750,000</b>	<b>₱6,675,527,411</b>	<b>₱12,675,405,442</b>	<b>₱2,300,000,000</b>	<b>(₱13,471,337)</b>	<b>₱-</b>	<b>₱22,706,211,516</b>

See accompanying Notes to Consolidated Financial Statements.



**SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES**  
**(Formerly Semirara Mining Corporation and Subsidiaries)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱12,903,749,573	₱9,668,993,012	₱6,308,427,349
Adjustments for:			
Depreciation and amortization (Notes 9, 12, 21 and 22)	3,680,181,127	1,742,035,951	1,984,125,281
Finance costs (Note 23)	598,992,706	278,187,914	323,228,324
Provision for doubtful accounts (Notes 5 and 22)	149,533,034	925,151,744	–
Pension expense (Note 20)	45,927,827	19,392,265	17,284,869
Provision for (reversal of) allowance for inventory obsolescence (Note 6)	1,239,090	20,902,458	(12,154,784)
Loss (gain) on sale of equipment (Notes 9 and 25)	174,667	(76,461,975)	(336,750)
Loss on disposal and write-down of property, plant and equipment (Notes 9 and 22)	–	16,087,500	110,976
Reversal of impairment losses (Notes 12 and 22)	–	(10,683,653)	–
Net unrealized foreign exchange losses (gain)	(47,305,303)	331,743,560	57,873,085
Finance income (Note 24)	(83,238,696)	(57,563,749)	(41,452,768)
Operating income before changes in operating assets and liabilities	17,249,254,025	12,857,785,027	8,637,105,582
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	(3,054,344,271)	421,890,473	92,816,713
Inventories	(847,783,647)	(1,499,056,144)	1,853,389,992
Other current assets	(258,648,262)	(427,040,042)	(862,837,500)
Increase in trade and other payables	4,744,643,151	386,149,582	2,481,608,982
Cash generated from operations	17,833,120,996	11,739,728,896	12,202,083,769
Contributions to the fund (Note 20)	(8,724,213)	(5,780,005)	(10,749,863)
Interest received	83,238,696	57,472,448	41,822,817
Interest paid	(696,337,575)	(264,564,378)	(299,397,199)
Income taxes paid	(790,821,132)	(842,987,927)	(8,116,083)
Net cash provided by operating activities	16,420,476,772	10,683,869,034	11,925,643,441
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Property, plant and equipment (including borrowing cost) (Notes 9 and 32)	(5,302,606,832)	(4,467,465,139)	(9,418,691,745)
Exploration and evaluation asset (Notes 9 and 11)	(1,932,281,360)	(566,470,643)	(1,317,485,410)
Investment in joint venture (Note 7)	(52,385,054)	–	–
Computer software (Note 12)	(7,220,424)	(2,803,293)	(3,318,631)
Proceeds from sale of equipment (Note 9)	3,000,000	76,461,975	336,750
Decrease (increase) in:			
Investment in sinking fund (Note 10)	391,517,638	61,546,856	(4,177,649)
Other noncurrent assets (Note 12)	1,039,651,801	(223,135,347)	32,997,722
Increase (decrease) in other noncurrent liabilities (Note 12)	(829,158,729)	6,237,623	39,075,247
Net cash used in investing activities	(6,689,482,960)	(5,115,627,968)	(10,671,263,716)

(Forward)



	<b>Years Ended December 31</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from availment of loans (Notes 13 and 14)	<b>₱10,823,782,102</b>	₱9,884,196,533	₱10,357,708,086
Acquisition of treasury shares	<b>(387,547,028)</b>	-	-
Payments of:			
Loans (Notes 13 and 14)	<b>(13,478,092,863)</b>	(10,076,979,391)	(8,470,867,131)
Dividends (Note 18)	<b>(4,275,000,000)</b>	(4,275,000,000)	(4,275,000,000)
Net cash used in financing activities	<b>(7,316,857,789)</b>	(4,467,782,858)	(2,388,159,045)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
	<b>(166,704,552)</b>	(37,975,373)	(2,402,401)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,247,431,471</b>	1,062,482,835	(1,136,181,721)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>4,745,608,379</b>	3,683,125,544	4,819,307,265
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	<b>₱6,993,039,850</b>	₱4,745,608,379	₱3,683,125,544

*See accompanying Notes to Consolidated Financial Statements.*





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

---

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

---

**1. Corporate Information**

Semirara Mining and Power Corporation (the Parent Company) is a corporation incorporated in the Philippines on February 26, 1980. The Parent Company's registered and principal office address is at 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 56.51% 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.

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

The consolidated financial statements as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 were authorized for issue by the Executive Committee of the Board of Directors (BOD) on February 23, 2017.

---

**2. Summary of Significant Accounting Policies**

Basis of Preparation

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

Statement of Compliance

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



### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2016 and 2015, and for each of the three years in the period ended December 31, 2016.

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

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

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

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

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

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

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

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

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



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

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

The consolidated financial statements include the financial statements of the Parent Company and the following wholly owned subsidiaries (which are all incorporated in the Philippines):

	<b>Effective Percentages of Ownership</b>		
	<b>2016</b>	2015	2014
<b>Subsidiaries</b>			
Sem-Calaca Power Corporation (SCPC)	<b>100.00 %</b>	100.00 %	100.00 %
Sem-Calaca RES Corporation (SCRC)*	<b>100.00</b>	100.00	100.00
Southwest Luzon Power Generation Corporation (SLPGC)	<b>100.00</b>	100.00	100.00
SEM-Cal Industrial Park Developers, Inc. (SIPDI)	<b>100.00</b>	100.00	100.00
Semirara Claystone, Inc. (SCI)	<b>100.00</b>	100.00	100.00
Semirara Energy Utilities, Inc. (SEUI)	<b>100.00</b>	100.00	100.00
Southeast Luzon Power Generation Corporation (SELPGC)	<b>100.00</b>	100.00	100.00
St. Raphael Power Generation Corporation (SRPGC)	-	100.00	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, 2016.

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

In 2016, SRPGC become a joint venture when Meralco PowerGen Corporation (MGen) subscribed to the remaining unissued capital stock of SRPGC (see Note 7).

#### Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any noncontrolling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. 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. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with Philippine Accounting Standards (PAS) 39, *Financial Instrument - Recognition and Measurement*, either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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

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

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

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

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

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

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



### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended standards and improvements to PFRS which the Group has adopted starting January 1, 2016. Unless otherwise indicated, the adoption did not have any significant impact to the consolidated financial statements of the Group.

- Amendments to PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
  - Amendment to PFRS 5, *Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Servicing Contracts*
  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendment to PAS 19, *Discount Rate: Regional Market Issue*
  - Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

### Standards Issued But Not Yet Effective

The Group has not applied the following PFRS, PAS and Philippine Interpretations which are not yet effective as of December 31, 2016. The Group intends to adopt those standards when they become effective. Unless otherwise indicated, adoption of these standards and interpretations are not expected to have any significant impact on the consolidated financial statements of the Group.

#### *Effective beginning on or after January 1, 2017*

- Amendment to PFRS 12, *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.
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*  
The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.



- 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 on the reversal of that deductible temporary difference. 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.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. The Group is currently assessing the impact of these amendments on its financial statements.

*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.

This is not applicable to the Group because it does not have share-based payment arrangements.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.



- *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 or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of these amendments on its financial statements.
- *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. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. 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 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 will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- *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. The Group is currently assessing the impact of adopting this standard.
- *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. The interpretation may be applied on a fully retrospective basis. Entities 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.

*Effective beginning on or after January 1, 2019*

- *PFRS 16, Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

*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 postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed 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 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, 2016 and 2015, the Group's financial assets and financial liabilities are of the nature of loans and receivables and other financial liabilities.

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

##### *'Day 1' difference*

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



derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

*Loans and receivables*

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

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

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

*Other financial liabilities*

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

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

After initial recognition, short-term loans, trade and other payables 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 (gains) losses - net' 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 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.

### 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 depreciation 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 estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the coal body. Changes in the reserve or resource estimates may impact the 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 13
Power plant and buildings	10 to 25
Roads and bridges	17

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

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

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

#### Intangible Assets

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

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

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

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

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



*Research and development costs*

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

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

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

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

Input Value-Added Taxes (VAT)

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

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 (inventories, 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.

#### *Inventories*

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

#### *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 fair value and the carrying value of the investee company and recognizes the difference in the consolidated statement of comprehensive income.

#### *Exploration and evaluation assets*

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

#### *Property, plant and equipment*

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 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).

Cost of Sales

*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.

Operating Expenses

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

Borrowing Costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalized and added to the project cost during construction until such time the assets are considered substantially ready for their intended use i.e., when they are capable of commercial production. Where funds are borrowed specifically to finance a



project, the amount capitalized represents the actual borrowing costs incurred. Where surplus funds are available for a short term, out of money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalized and deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

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

#### Pension Cost

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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

#### 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; A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- b. There is a change in the determination of whether fulfillment is dependent on a specified asset;  
or
- c. 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 33 to the consolidated financial statements.

### Contingencies

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



#### Events after Reporting Date

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

---

### 3. Significant Accounting Judgments, Estimates and Assumptions

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

#### Judgment

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

*a. 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 Note 11).

*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 29).

#### 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 estimates its mineable ore reserves by using estimates provided by third party, and professionally qualified 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.

*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 collectibility of the accounts. These factors include, but are not limited to debtors' ability to pay all amounts due according to the contractual terms of the receivables being evaluated, historical experience and any regulatory actions. The Group regularly performs a review of the age and status of receivables and identifies accounts that are to be provided with allowance.

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

The above assessment resulted to an additional allowance of ₱140.42 million and ₱925.15 million in 2016 and 2015, 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 6.

*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 6.

*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.

Capitalized development costs are disclosed in Note 12.

*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 16.

*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.

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

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



i. *Deferred tax assets*

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

In 2016 and 2015, the Group has various deductible temporary differences and NOLCO for which deferred tax assets are not recognized (see Note 26).

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 20 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 expected future inflation rates.

---

#### 4. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand and in banks	<b>₱2,586,289,267</b>	₱1,845,316,200
Cash equivalents	<b>4,406,750,583</b>	2,900,292,179
	<b>₱6,993,039,850</b>	₱4,745,608,379

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents include short-term placements made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective prevailing short-term placement rates ranging from 0.25% to 2.50% and 0.75% to 2.50% in 2016 and 2015, respectively.

In 2016, 2015 and 2014, total interest income earned from cash and cash equivalents amounted to ₱78.49 million, ₱47.89 million and ₱34.33 million, respectively (see Note 24).



## 5. Receivables

This account consists of:

	2016	2015
Trade receivables - outside parties	<b>₱7,021,032,378</b>	₱4,056,410,128
Trade receivables - related parties (Note 19)	<b>76,578,145</b>	68,830,272
Others	<b>132,742,665</b>	83,670,947
	<b>7,230,353,188</b>	4,208,911,347
Less allowance for doubtful accounts	<b>1,544,771,590</b>	1,428,140,986
	<b>₱5,685,581,598</b>	₱2,780,770,361

### *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 and ₱533.72 million as of December 31, 2016 and 2015, respectively. These are generally on a 30-day credit term and are carried at original invoice amounts less discounts and rebates.

Receivables from coal sales are noninterest-bearing and generally have 30 to 45 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.

### *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 in 30 to 45 days credit terms.

Movements in the allowance for doubtful accounts are as follows:

	2016		
	Trade receivables - outside parties	Others	Total
At January 1	<b>₱1,422,325,627</b>	<b>₱5,815,359</b>	<b>₱1,428,140,986</b>
Provision (Note 22)	<b>140,417,501</b>	-	<b>140,417,501</b>
Reversal	<b>(23,786,897)</b>	-	<b>(23,786,897)</b>
At December 31	<b>₱1,538,956,231</b>	<b>₱5,815,359</b>	<b>₱1,544,771,590</b>



2015			
	Trade receivables - outside parties	Others	Total
At January 1	₱497,173,882	₱5,815,359	₱502,989,241
Provision (Note 22)	925,151,745	-	925,151,745
At December 31	₱1,422,325,627	₱5,815,359	₱1,428,140,986

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 22).

## 6. Inventories

This account consists of:

	2016	2015
Spare parts and supplies - at NRV	₱3,564,480,064	₱2,734,982,148
Coal pile inventory - at cost	1,821,980,506	1,647,624,775
	<b>₱5,386,460,570</b>	<b>₱4,382,606,923</b>

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 ₱10,564.12 million, ₱6,184.99 million and ₱9,788.40 million in 2016, 2015 and 2014, respectively (see Note 21).

Coal pile inventory at cost included capitalized depreciation of ₱157.31 million, ₱112.12 million and ₱39.11 million in 2016, 2015 and 2014, respectively (see Note 9).

The rollforward analysis for inventory obsolescence follows:

	2016	2015
Beginning balance	₱66,154,796	₱45,252,338
Provision for the year (Note 22)	1,239,090	20,902,458
Ending balance	₱67,393,886	₱66,154,796

## 7. 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 and is 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 of the authorized capital and paid ₱3.13 million of said capital stock.





On April 27, 2016, Meralco PowerGen Corporation (MGen), a wholly owned subsidiary of Meralco, entered into a Joint Venture Agreement (JVA) with the Parent Company. 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.

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 where ₱12.50 million as additional investment and ₱33.50 million as deposit for future subscription.

As of December 31, 2016, SRPGC has not yet started commercial operations.

---

## 8. Other Current Assets

This account consists of:

	2016	2015
Input VAT	<b>₱1,635,147,559</b>	₱790,488,345
Advances to suppliers (Note 19)	<b>819,358,241</b>	1,452,584,075
Creditable withholding tax	<b>434,767,144</b>	441,037,255
Prepaid insurance	<b>37,414,993</b>	11,327,741
Prepaid rent (Notes 12 and 29)	<b>7,553,004</b>	4,553,004
Others	<b>33,905,460</b>	23,498,436
	<b>₱2,968,146,401</b>	₱2,723,488,856

### *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 12).

### *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.

### *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.



## 9. Property, Plant and Equipment

The rollforward of this account follows:

	2016					Total
	Land	Mine Properties, Mining Tools and Other Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	
<b>Cost</b>						
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 16)	-	3,048,827,993	263,418,735	-	2,854,023,863	6,166,270,591
Reclassifications (Note 11)	-	5,009,565,376	20,176,641,568	-	(20,238,460,625)	4,947,746,319
Disposals (Notes 22 and 25)	-	(13,675,439)	(382,220,660)	-	-	(395,896,099)
Adjustment (Note 16)	-	(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
<b>Accumulated Depreciation</b>						
At January 1	-	15,968,478,768	8,006,621,961	409,365,390	-	24,384,466,119
Depreciation and amortization (Notes 21 and 22)	-	1,960,073,095	2,305,916,765	54,829,714	-	4,320,819,574
Disposals (Notes 22 and 25)	-	(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
<b>Net Book Value</b>	<b>₱376,811,469</b>	<b>₱8,395,527,969</b>	<b>₱32,470,545,643</b>	<b>₱363,164,621</b>	<b>₱1,746,116,926</b>	<b>₱43,352,166,628</b>

	2015					Total
	Land	Mine Properties, Mining Tools and Other Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	
<b>Cost</b>						
At January 1	₱376,811,469	₱16,926,630,972	₱21,490,788,294	₱827,359,725	₱17,625,557,933	₱57,247,148,393
Additions (Note 16)	-	2,091,545,869	594,705,103	-	2,010,840,433	4,697,091,405
Reclassifications (Note 11)	-	15,652,414	257,530,669	-	(273,183,083)	-
Disposals (Notes 22 and 25)	-	(813,190,874)	-	-	-	(813,190,874)
Adjustment (Note 16)	-	56,992,919	-	-	(60,919,381)	(3,926,462)
At December 31	376,811,469	18,277,631,300	22,343,024,066	827,359,725	19,302,295,902	61,127,122,462
<b>Accumulated Depreciation</b>						
At January 1	-	15,509,188,220	6,931,383,761	354,535,676	-	22,795,107,657
Depreciation and amortization (Notes 21 and 22)	-	1,256,393,922	1,075,238,200	54,829,714	-	2,386,461,836
Disposals (Notes 22 and 25)	-	(797,103,374)	-	-	-	(797,103,374)
At December 31	-	15,968,478,768	8,006,621,961	409,365,390	-	24,384,466,119
<b>Net Book Value</b>	<b>₱376,811,469</b>	<b>₱2,309,152,532</b>	<b>₱14,336,402,105</b>	<b>₱417,994,335</b>	<b>₱19,302,295,902</b>	<b>₱36,742,656,343</b>

‘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 16). ‘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. As of December 31, 2016 and 2015, mine properties included in ‘Mine properties, mining tools and other equipment’ amounted to ₱5,183.44 million and ₱389.26 million, respectively.

There is also 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 in 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.



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, 2016 and 2015.

The capitalized borrowing cost included in the construction in progress account amounted to ₱112.94 million and ₱451.31 million in 2016 and 2015, respectively. The average capitalization rate is 4.00% and 4.08% in 2016 and 2015 (see Note 14). In 2016, 2015 and 2014, the Group sold various equipment at a gain (loss) amounting to (₱0.17) million, ₱76.46 million and ₱0.34 million, respectively (see Note 25). 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 ₱16.09 million and ₱0.11 million in 2015 and 2014, respectively (see Note 22).

The cost of fully depreciated assets that are still in use amounted to ₱12,906.73 million and ₱11,585.92 million as of December 31, 2016 and 2015, respectively.

As security for timely payment, discharge, observance and performance of the loan provisions, SCPC creates, establishes, and constitutes in favor of the Security Trustee, for the benefit of all secured parties, a first ranking real estate and chattel mortgage on present and future real assets and chattels owned by SCPC. The carrying values of these mortgaged assets amounted to ₱14,925.15 million and ₱14,859.94 million as of December 31, 2016 and 2015, respectively. On August 24, 2016 and February 24, 2017, Bank of Philippine Islands (BPI) and Banco de Oro Unibank, Inc. (BDO), respectively, approved the SCPC release of all security arrangements. However, Philippine National Bank (PNB) has not given its approval.

As security for timely payment, discharge, observance and performance of the loan provisions, SLPGC creates, establishes, and constitutes in favor of the Security Trustee, for the benefit of all secured parties, a first ranking real estate and chattel mortgage on present and future real assets and chattels owned by SLPGC. The carrying values of these mortgaged assets amounted to ₱18,206.51 million and ₱17,446.05 million as of December 31, 2016 and 2015, respectively.

Depreciation and amortization follow:

	2016	2015	2014
Included under:			
Inventories (Note 6)	<b>₱157,309,090</b>	₱112,122,124	₱39,109,356
Mine properties, mining tools and other equipment	<b>463,416,913</b>	382,953,462	64,703,005
Stripping activity asset	<b>22,680,612</b>	-	-
Cost of coal sales (Note 21):			
Depreciation and amortization	<b>1,157,006,529</b>	519,842,448	822,278,521
Hauling and shiploading costs	<b>26,830,788</b>	32,253,172	70,017,097
Cost of power sales (Note 21):			
Cost of coal			
Depreciation and amortization	<b>268,925,354</b>	291,951,404	262,866,200
Depreciation	<b>2,170,627,728</b>	1,006,345,938	926,330,083
Operating expenses (Note 22)	<b>56,790,728</b>	43,246,105	51,655,398
	<b>₱4,323,587,742</b>	₱2,388,714,653	₱2,236,959,660
Depreciation and amortization of:			
Property, plant and equipment	<b>₱4,320,819,574</b>	₱2,386,461,836	₱2,234,185,981
Computer software (Note 12)	<b>2,768,168</b>	2,252,917	2,773,679
	<b>₱4,323,587,742</b>	₱2,388,714,753	₱2,236,959,660



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.

#### 10. Investment in Sinking Fund

In a special meeting of the BOD of SCPC held on March 9, 2010, the BOD authorized the SCPC to establish, maintain, and operate trust and investment management accounts with BDO Unibank, Inc. - Trust and Investment Group. The Omnibus Agreement (see Note 14) 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 ₱68.72 million and ₱460.23 million as of December 31, 2016 and 2015, respectively.

Interest from sinking fund amounted to ₱4.31 million, ₱8.99 million and ₱6.67 million in 2016, 2015 and 2014, respectively (see Note 24).

#### 11. Exploration and Evaluation Asset

	2016	2015
At January 1	<b>₱3,015,464,959</b>	₱1,914,437,638
Addition	<b>1,932,281,360</b>	1,101,027,321
Transfer to property, plant and equipment (Note 9)	<b>(4,947,746,319)</b>	-
At December 31	<b>₱-</b>	₱3,015,464,959

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 the ‘Property, plant and equipment’ (see Note 9).

#### 12. Other Noncurrent Assets and Other Noncurrent Liabilities

##### Other Noncurrent Assets

	2016	2015
Input VAT	<b>₱306,323,998</b>	₱1,371,371,326
Claims for refunds and tax credits - net	<b>175,208,925</b>	175,208,925
Capitalized development costs for clay business	<b>156,068,623</b>	128,170,838
Prepaid rent (Note 29)	<b>80,869,301</b>	85,422,305
Computer software - net	<b>9,228,509</b>	4,776,257
Environmental guarantee fund (Notes 30 and 31)	<b>3,520,000</b>	1,500,000
Others	<b>8,765,942</b>	8,765,942
	<b>739,985,298</b>	1,775,215,593
Less current portion of prepaid rent (Note 8)	<b>4,522,255</b>	4,553,004
	<b>₱735,463,043</b>	₱1,770,662,589



*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, 2016 and 2015 is presented net of allowance for impairment losses amounting to ₱15.29 million.

*Capitalized development costs for clay business*

Development costs for potter earthenware, stoneware, bricks, tiles, roofs and other merchandise produce from clay are recognized as an intangible asset. Development activities are on-going in preparation for commercial operations.

*Prepaid rent*

Prepaid rent under other noncurrent assets pertain to the long-term portion of rent of SCPC to Power Sector Assets and Liabilities Management (PSALM) starting December 2, 2009 for the 25 years lease of land. Long-term portion of the prepaid rent amounted to ₱76.35 million and ₱80.87 million in 2016 and 2015, respectively (see Note 29).

*Computer software*

Movements in computer software account follow:

	2016	2015
<b>At Cost</b>		
At January 1	<b>₱35,906,383</b>	₱33,103,090
Additions	<b>7,220,420</b>	2,803,293
At December 31	<b>43,126,803</b>	35,906,383
<b>Accumulated Amortization</b>		
At January 1	<b>31,130,126</b>	28,877,209
Amortization (Note 9)	<b>2,768,168</b>	2,252,917
At December 31	<b>33,898,294</b>	31,130,126
<b>Net Book Value</b>	<b>₱9,228,509</b>	₱4,776,257

*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, 2016 and 2015, retention payable amounted to ₱843.14 million and ₱2,739.67 million, respectively (see Note 19).

---

**13. Short-term Loans**

Short-term loans represent various unsecured promissory notes from local banks with interest rates ranging from 2.40% to 2.50% and 1.20% to 2.50% in 2016 and 2015, respectively, and are payable within one year.

The carrying amount of these short-term loans as of December 31, 2016 and 2015 amounted to ₱1,600.00 million and ₱2,993.00 million, respectively.

The interest expense on these short-term loans recognized under 'Finance cost' amounted to ₱77.92 million, ₱57.99 million and ₱63.34 million in 2016, 2015 and 2014, respectively (see Note 23).

---

**14. Long-term Debt**

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

	2016	2015
Mortgage payable	<b>₱9,471,439,192</b>	₱13,334,874,205
Bank loans	<b>5,618,307,661</b>	3,215,734,398
	<b>15,089,746,853</b>	16,550,608,603
Less current portion of:		
Mortgage payable	<b>1,831,583,887</b>	3,224,034,097
Bank loans	-	1,966,693,303
	<b>1,831,583,887</b>	5,190,727,400
	<b>₱13,258,162,966</b>	₱11,359,881,203

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
	<b>₱11,500,000,000</b>



As of December 31, 2015, the entire credit facility was fully drawn.

Details of the loan follow:

- a. Interest: At applicable interest rate (PDST-F + Spread or BSP Overnight Rate, whichever is higher). Such interest shall accrue from and including the first day of each interest period up to the last day of such interest period. The Facility Agent shall notify all the Lenders of any adjustment in an interest payment date at least three banking days prior to the adjusted interest payment date.
- b. Repayment: The principal amount shall be paid in twenty-seven equal consecutive quarterly installments commencing on the fourteenth quarter from the initial borrowing date. Final repayment date is ten (10) years after initial borrowing.

As of December 31, 2016 and 2015, outstanding loan payable is ₱9,344.56 million and ₱11,037.11 million, respectively.

Rollforward of the deferred financing cost follows:

	2016	2015
At January 1	₱36,959,208	₱42,558,302
Additions	–	5,056,860
Amortization	(10,147,847)	(10,655,954)
At December 31	₱26,811,361	₱36,959,208

Amortization of financing cost during the commissioning of the plant on the first quarter of 2016 amounting to ₱2.67 million was charged to ‘Construction in progress’. The remaining ₱7.48 million was charged to finance costs (see Note 23) as construction activities were completed in the first quarter of 2016 ceasing capitalization of borrowing cost.

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, 2016 and 2015.

Provision in the loan indicates that the borrower shall pay to the lenders, a commitment fee equivalent to one-half (1/2)% per annum of any portion of a scheduled drawdown amount that remains undrawn after the lapse of the relevant scheduled drawdown. In 2015, SLPGC paid commitment fee amounting to ₱1.31 million and this was recognized under the ‘Finance costs’ account in the 2015 consolidated statement of comprehensive income.

#### *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.



Mortgage payable by SCPC was collateralized by all monies in the Collateral accounts, supply receivables, proceeds of any asset and business continuity insurance, project agreements and first-ranking mortgage on present and future real assets. Further, 67% of issued and outstanding shares in SCPC owned by the Parent Company were also pledged on this loan.

Breakdown of the original principal of syndicated loan is as follows:

BDO Unibank	₱6,000,000,000
BPI	2,000,000,000
PNB	1,600,000,000
	<u>₱9,600,000,000</u>

The Agreement was entered into to finance the payments made to PSALM pursuant to the Asset Purchase Agreement (APA) and Land Leased Agreement (LLA), and ongoing plant rehabilitation and capital expenditures.

Details of the loan follow:

- a. Interest: At a floating rate per annum equivalent to the three (3) months Philippine Dealing System Treasury-Fixing (PDST-F) benchmark yield for treasury securities as published on the PDEX page of Bloomberg (or such successor electronic service provider) at approximately 11:30a.m. (Manila Time) on the banking day immediately preceding the date of initial borrowing or start of each interest period, as applicable, plus a spread of 175 basis points. Starting August 2015 amortization, interest is at floating rate per annum equivalent to three (3) months Philippine Dealing System Treasury Reference Rate PM (PDST-R2), plus a spread of 195 basis points.
- b. Repayment: The principal amount shall be payable in twenty-five (25) equal consecutive quarterly installments commencing on the twelfth month from the initial borrowing date. Final repayment date is seven (7) years after initial borrowing. The loan may be prepaid voluntarily provided the conditions in the Omnibus Agreement are satisfied.

Rollforward of the deferred financing cost follows:

	2016	2015
At January 1	₱6,240,661	₱17,191,598
Amortization (Note 23)	(6,120,844)	(10,950,937)
At December 31	<u>₱119,817</u>	<u>₱6,240,661</u>

Amortization of debt finance cost recognized under 'Finance cost' account in the consolidated statements of comprehensive income amounted to ₱6.12 million, ₱10.95 million and ₱16.36 million for the years 2016, 2015 and 2014, respectively (see Note 23).

In 2016, 2015 and 2014, the SCPC incurred interest expense on long-term debt amounting to ₱22.15 million, ₱124.49 million and ₱143.20 million, respectively (see Note 23).

On February 29, 2016, SCPC prepaid the ₱1,600.88 million of the long-term portion of the debt.

As of December 31, 2016 and 2015, outstanding loan payable is ₱127.88 million and ₱2,297.76 million, respectively.





As of December 31, 2016, there is no more available borrowing facility that can be drawn.

Bank Loans - Parent Company

Loan Type	Date of Availment	Outstanding Balance		Maturity	Interest Rate	Payment Terms	Covenants
		2016	2015				
Peso loan 1	2016	₱2,100,000,000	₱-	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 paid on maturity date	Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1
Dollar loan 1	2016	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-Equity Ratio not to exceed 2:1
Dollar loan 2	2015	1,319,641,378	1,383,979,053	2018	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)	Interest payable every 3 months, principal to be paid on maturity date	None
Dollar loan 3	2016	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-Equity Ratio not to exceed 2:1
Dollar loan 4	2014	-	1,317,680,000	2016	Floating rate to be repriced every 3 months LIBOR plus a spread of 1.2%	Interest payable every 3 months, principal to be paid on maturity date	Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1
Dollar loan 5	Various availments in 2013 and 2014	-	438,116,431	2016	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-Equity Ratio not to exceed 2:1
Dollar loan 6	2014	-	75,958,914	2016	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-Equity Ratio not to exceed 2:1
		<b>₱5,618,307,661</b>	<b>₱3,215,734,398</b>				

All bank loans are clean and are compliant with loan covenants.

Interest expense on long-term debt recognized under 'Finance cost' amounted to ₱128.85 million, ₱44.09 million and ₱53.57 million in 2016, 2015 and 2014, respectively (see Note 23).

The remaining borrowing facility that can be drawn as of December 31, 2016 and 2015 amounts to ₱5,625.00 million and ₱4,700.00 million, respectively.



The maturities of long-term debt as of December 31, 2016 and 2015 follow:

	2016	2015
Due in:		
2016	P-	P5,190,727,400
2017	1,831,583,887	2,462,370,728
2018	3,014,411,119	2,945,721,719
2019	3,895,084,530	1,698,330,989
2020	3,798,128,281	1,700,042,952
2021	1,699,902,153	1,701,818,824
2022	850,636,883	851,595,991
	<b>P15,089,746,853</b>	<b>P16,550,608,603</b>

## 15. Trade and Other Payables

This account consists of:

	2016	2015
Trade:		
Payable to suppliers and contractors	P6,218,171,878	P4,000,643,528
Related parties (Note 19)	2,983,409,739	1,383,876,235
Payable to DOE and local government units (LGU) (Note 28)	1,647,719,455	1,121,541,027
Output VAT Payable	789,399,098	528,518,567
Accrued expenses and other payables (Note 19)	582,252,900	337,413,964
	<b>P12,220,953,070</b>	<b>P7,371,993,321</b>

### *Trade payable to suppliers and contractors*

Trade payable to suppliers and contractors arises from progress billings of completed work as of cut-off period. The amount include liabilities amounting to P739.57 million (US\$14.87 million) and P585.44 million (US\$12.44 million) as of December 31, 2016 and 2015, respectively, to various foreign suppliers for open account purchases of equipment and equipment parts and supplies.

Trade payables are noninterest-bearing and are normally settled on 30- to 60-day credit terms.

### *Payable to DOE and LGU*

Payable to DOE and LGU represent the share of DOE and LGU in the gross revenue of the Parent Company's coal production computed in accordance with the Coal Operating Contract (COC) between the Parent Company, DOE and LGU dated July 11, 1977 and as amended on January 16, 1981 (see Note 28).

### *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:

	2016	2015
Taxes, permits and licenses	<b>₱343,909,575</b>	₱186,894,959
Salaries and wages	<b>33,410,317</b>	12,488,933
Interest	<b>32,812,917</b>	58,860,871
Financial benefit payable	<b>17,387,946</b>	8,832,874
Rental (Note 19)	<b>7,187,400</b>	7,187,400
Professional fees	<b>1,782,019</b>	2,172,907
Dredging services	-	17,764,371
Others	<b>145,762,726</b>	43,211,649
	<b>₱582,252,900</b>	₱337,413,964

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

*Others*

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

---

**16. Provision for Decommissioning and Site Rehabilitation**

	2016	2015
At January 1	<b>₱513,701,432</b>	₱175,295,942
Additions (Note 9)	<b>1,089,423,459</b>	285,013,181
Effect of change in estimates (Notes 9 and 21)	<b>(8,770,171)</b>	56,992,919
Usage	<b>(13,286,852)</b>	(10,996,190)
Accretion of interest (Note 23)	<b>25,219,891</b>	7,395,580
At December 31	<b>₱1,606,287,759</b>	₱513,701,432

Discount rates used by the Group to compute for the present value of liability for decommissioning and site rehabilitation cost range from 3.86% to 8.77% and 4.81% to 5.24% in 2016 and 2015, respectively.

The Group is expecting to rehabilitate 1,030 hectares, 836 hectares and 943 hectares of Panian, Narra and Molave minesites. Panian has completed and closed its operations in September 2016.

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 additional costs represent the incremental cost of moving the overburden from Narra and Molave pits which is included in the 'Cost of coal sales' in 2016 given that Panian has closed operations (see Note 21).



## 17. Capital Stock

The details of the Parent Company's capital stock as of December 31, 2016 and 2015 are as follows:

	2016	
	Shares	Amount
Capital stock - ₱1 par value		
Authorized :	3,000,000,000	₱3,000,000,000
Issued and outstanding :		
Balance at beginning	1,068,750,000	₱1,068,750,000
Treasury shares acquired	(3,463,570)	(387,547,028)
Balance at end of year	1,065,286,430	₱681,202,972
	2015	
	Shares	Amount
Capital stock - ₱1 par value		
Authorized :	3,000,000,000	₱3,000,000,000
Issued and outstanding :		
Balance at beginning and end of year	1,068,750,000	₱1,068,750,000

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, 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 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.

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

(Forward)



	Number of shares registered	Issue/offer price	Date of approval	Number of holders as of yearend
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)			16
December 31, 2016	1,065,286,430			693

## 18. Retained Earnings

In 2016 and 2015, retained earnings amounted to ₱26,952.98 million and ₱19,187.31 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, 2016 amounted to ₱10,573.08 million.

### Cash Dividends

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.

On April 29, 2014, the Parent Company's BOD authorized the Parent Company to declare and distribute cash dividends of ₱12.00 per share or ₱4,275.00 million to stockholders of record as of May 15, 2014. The said cash dividends were paid on May 28, 2014.

### Stock Dividends

On May 5, 2014, the stockholders of the Parent Company approved the 200% stock dividends amounting to ₱712.50 million, divided into 712.50 million shares at the par value of ₱1.00 per share, or two (2) common shares for every one common share held, from the unrestricted retained earnings of the Parent Company as of December 31, 2013, and to be issued from the increase in the authorized capital stock of the Parent Company. On August 22, 2014, SEC approved and fixed the record date on September 8, 2014.

### Appropriations

On November 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 of SRPGC which is expected to be completed in 2021.



On November 11, 2015, the BOD approved the appropriation of ₱3,000.00 million from the unappropriated retained earnings as of December 31, 2015 to be used for the Phase 2 power plant expansion project of its wholly-owned subsidiary, SLPGC. The said power plant was completed last April 2016.

## 19. Related Party Transactions

The Group in its regular conduct of business has entered into transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture. The Group has affiliates under common control of DMCI-HI and Dacon Corporation.

Except as indicated otherwise, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

The significant transactions with related parties follow:

		2016			
	Reference	Amount/Volume	Receivable (Payable)	Terms	Conditions
<u>Trade receivables (Note 5)</u>					
<i>Entities under common control</i>					
Transfer of materials, services and reimbursement of shared expenses	(a)	₱32,118,987	₱76,578,145	Non-interest bearing, due and demandable	Unsecured, no impairment
<u>Advances to suppliers - current (Note 8)</u>					
<i>Entities under common control</i>					
Construction and outside services	(c)	₱165,442,477	₱234,206,485	Non-interest bearing, recoupment through monthly and final billings	Unsecured, no impairment
<u>Trade payables (Note 15)</u>					
<i>Entities under common control</i>					
Reimbursement of shared expenses	(a)	₱-	(₱44,705)	30 days, non-interest bearing	Unsecured
Operation and maintenance fees	(d)	362,640,742	(21,704,777)	30 days, non-interest bearing	
Coal handling services	(e)	596,877,187	(109,561,084)	30 days, non-interest bearing	Unsecured
Mine exploration and hauling services	(f)	1,437,260,355	(751,942,643)	30 days, non-interest bearing	Unsecured
Construction and other outside services	(g)	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	(h)	-	(1,500)	30 days, non-interest bearing	Unsecured
Office, parking and warehouse rental expenses	(i)	8,485,610	(1,902,754)	30 days, non-interest bearing	Unsecured
Aviation services	(j)	-	(12,725,108)	30 days, non-interest bearing	Unsecured
<u>Trade payables (Note 15)</u>					
<i>Entities under common control</i>					
Arrastre and Cargo Services	(k)	1,905,527	(1,666,049)	30 days, non-interest bearing	Unsecured
Retention payable	(l)	15,780,000	(443,201,982)	30 days, non-interest bearing	Unsecured
		₱3,394,187,471	(₱2,983,409,739)		

(Forward)



2016					
	Reference	Amount/Volume	Receivable (Payable)	Terms	Conditions
<u>Other noncurrent liabilities (Note 12)</u>					
<i>Entities under common control</i>					
Retention payable	(l)	₱152,468,242	(₱423,813,611)	Non-interest bearing	Unsecured
2015					
	Reference	Amount/Volume	Receivable (Payable)	Terms	Conditions
<u>Trade receivables (Note 5)</u>					
<i>Entities under common control</i>					
Transfer of materials, services and reimbursement of shared expenses	(a)	₱40,923,381	₱68,830,272	Non-interest bearing, due and demandable	Unsecured, no impairment
<u>Advances to suppliers - current (Note 8)</u>					
<i>Entities under common control</i>					
Deposit for services	(b)	₱42,267,857	₱42,267,857	Non-interest bearing, due and demandable	Unsecured, no impairment
Construction and outside services	(c)	659,749,677	756,442,697	Non-interest bearing, recoupment through monthly and final billings	Unsecured, no impairment
		₱702,017,534	₱798,710,554		
<u>Trade payables (Note 15)</u>					
<i>Entities under common control</i>					
Reimbursement of shared expenses	(a)	₱702,141	(₱702,141)	30 days, non-interest bearing	Unsecured
Operation and maintenance fees	(d)	324,000,000	(39,271,558)	30 days, non-interest bearing	Unsecured
Coal handling services	(e)	370,324,932	(101,740,918)	30 days, non-interest bearing	Unsecured
Mine exploration and hauling services	(f)	916,403,369	(1,340,292)	30 days, non-interest bearing	Unsecured
Construction and other outside services	(g)	1,783,916,987	(1,220,909,110)	30 days for monthly billings and portion after expiration of retention period, non-interest bearing	Unsecured
Purchases of office supplies and refreshments	(h)	6,645,198	(700,418)	30 days, non-interest bearing	Unsecured
Office, parking and warehouse rental expenses	(i)	7,990,559	(2,104,480)	30 days, non-interest bearing	Unsecured
Aviation services	(j)	246,589	(12,725,108)	30 days, non-interest bearing	Unsecured
Arrastre and Cargo Services	(k)	773,840	(773,840)	30 days, non-interest bearing	Unsecured
Retention payable	(l)	720,647	(3,608,370)	30 days, non-interest bearing	Unsecured
		₱3,411,724,262	(₱1,383,876,235)		
<u>Other noncurrent liabilities (Note 12)</u>					
<i>Entities under common control</i>					
Retention payable	(l)	₱73,332,374	(₱1,498,829,715)	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 and maintenance and renewal expenses of information systems.

All outstanding balances from affiliates are included in receivables under 'Trade receivable - related parties' in the consolidated statements of financial position.

- b. The Group made advances to DMCI Consunji, Inc. (DMCI) for the ongoing construction project for which the balance is included in 'Advances to suppliers' account (see Note 8).



- c. DMCI was engaged by SLPGC in the construction of the 2x150MW coal-fired power plant. Billings of DMCI was charged to 'Construction in progress' account. As of December 31, 2016 and 2015, advances to contractors amounting to ₱234.21 million and ₱756.44 million is classified under 'Advances to suppliers and others' in the consolidated statements of financial position (see Note 8). These advances are recouped through monthly and final billings as the work progresses.
- d. SCPC engaged DMCI Power Corporation (DMCI Power), an entity under common control of DMCI-HI, for the management, operation and maintenance of the power plant. The outstanding balances due to DMCI Power are included in the 'Trade payable - related parties' account in the consolidated statements of financial position (see Note 15).
- e. 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 15).

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 15).

- f. DMC-CERI had transactions with the Parent Company for services rendered relating to the Parent Company's coal operations. These include services for the confirmatory drilling for coal reserve and evaluation of identified potential areas, exploratory drilling of other minerals within Semirara Island, dewatering well drilling along cut-off wall of Panian mine and fresh water well drilling for industrial and domestic supply under an agreement. Expenses incurred for said services are included in cost of sales under 'Outside services' in the consolidated statements of comprehensive income (see Note 21).

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 21).

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 21).

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 15).

- g. The Group contracted DMCI for the construction of its 1 x 15 MW Power Plant located at Semirara Island and the construction of SLPGC's 2 x 150 MW coal-fired 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 15).
- h. The Group engaged Prominent Fruits, Inc. and Sirawi Plywood & Lumber Corp. to supply various raw materials, office supplies and refreshments. The outstanding balance to Prominent Fruits, Inc. and Sirawai Plywood & Lumber Corp. is lodged in trade and other payables under 'Trade payable - related parties' in the consolidated statements of financial position (see Note 15).
- i. In 2016 and 2015, 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 21). 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 15).
- j. 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 21).

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 15).

- k. In 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 15).
- l. In 2016, SLPGC have retention payable to DMCI which represents amounts withheld from payments to contractors as guaranty for any claims against them. These are noninterest-bearing and will be remitted to contractors at the end of the contracted work. Outstanding balances are lodged under 'Other noncurrent liabilities' in the consolidated statements of financial position (see Note 15).

*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, 2016 and 2015, there were no impairment losses recognized on related party balances.



Compensation of key management personnel of the Group amounted to ₱167.98 million and ₱159.42 million in 2016 and 2015, 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.

---

## 20. 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, 2016.

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 2016, 2015 and 2014.

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:

	2016	2015	2014
Discount rate	5.28% - 5.87%	5.27% - 6.36%	4.82% - 5.67%
Salary increase rate	3.00%	3.00%	3.00%



The following table summarizes the components of pension expense in the consolidated statements of comprehensive income:

	2016	2015	2014
Current service cost	<b>₱39,628,111</b>	₱16,657,360	₱15,635,036
Interest expense related to the defined benefit liability	<b>10,684,019</b>	6,611,027	5,197,340
Interest income related to plan assets	<b>(4,384,303)</b>	(3,876,122)	(3,547,507)
	<b>₱45,927,827</b>	₱19,392,265	₱17,284,869

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 21 and 22).

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:

	2016	2015
<b>Defined benefit liability at beginning of year</b>	<b>₱155,918,352</b>	₱118,014,431
Current service cost	<b>39,628,111</b>	16,657,360
Interest expense	<b>10,684,019</b>	6,611,027
Remeasurement of defined benefit liability:		
Arising from changes in financial assumptions	<b>3,991,299</b>	(3,705,892)
Experience gains (losses)	<b>(15,888,555)</b>	25,366,613
Benefits directly paid by the Group	<b>(8,724,213)</b>	(5,780,005)
Benefits paid from plan asset	-	(1,245,182)
<b>Defined benefit liability at end of year</b>	<b>₱185,609,013</b>	₱155,918,352
Fair value of plan assets at beginning of year	<b>₱68,935,574</b>	₱68,984,538
Return on plan assets (excluding amounts included in interest income)	<b>(1,745,642)</b>	(2,679,904)
Interest income	<b>4,384,303</b>	3,876,122
Benefits paid	-	(1,245,182)
<b>Fair value of plan assets at end of year</b>	<b>₱71,574,235</b>	₱68,935,574
Net pension liability at beginning of year	<b>₱86,982,778</b>	₱49,029,893
Net periodic pension cost	<b>45,927,827</b>	19,392,265
Amounts recognized in other comprehensive income	<b>(10,151,614)</b>	24,340,625
Benefit payments - paid by the Group	<b>(8,724,213)</b>	(5,780,005)
<b>Net pension liability at end of year</b>	<b>₱114,034,778</b>	₱86,982,778

The Group does not expect any contribution into the pension fund in 2017.



The composition and fair value of plan assets as at the end of reporting date are as follows:

	2016	2015
Cash and cash equivalents	<b>₱368,703</b>	₱3,384,528
Equity instruments		
Financial institutions	<b>7,209,020</b>	5,490,000
Real Estate	<b>5,430,000</b>	-
Debt instruments		
Government securities	<b>45,301,117</b>	47,059,505
Unquoted debt securities	<b>12,118,696</b>	11,983,783
Receivables	<b>1,146,699</b>	1,017,758
<b>Fair value of plan assets</b>	<b>₱71,574,235</b>	<b>₱68,935,574</b>

Trust fee in 2016 and 2015 amounted to ₱35,486 and ₱34,013, 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 80% of debt instruments, 18% of equity instruments and 2% of others.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit liability as of the end of reporting date, assuming if all other assumptions were held constant:

	2016		2015	
	Increase (Decrease)	Effect on Defined Benefit Liability	Increase (Decrease)	Effect on Defined Benefit Liability
Discount rates	+0.5% to 1%	(₱15,082,880)	+0.5% to 1%	(₱5,359,754)
	-0.5% to 1%	18,155,286	-0.5% to 1%	5,977,391
Future salary increases	+1%	16,931,804	+1%	5,150,821
	-1%	(14,463,121)	-1%	(4,723,272)



Shown below is the maturity analysis of the undiscounted benefit payment up to ten years:

	2016	2015
Less than 1 year	<b>₱59,302,155</b>	₱43,117,743
More than 1 year to 5 years	<b>47,215,986</b>	24,366,519
More than 5 years to 10 years	<b>90,918,414</b>	66,153,865
	<b>₱197,436,555</b>	₱133,638,127

The Group has no other transactions with the fund.

## 21. Cost of Sales

Cost of coal sales consists of:

	2016	2015	2014
Materials and supplies (Note 19)	<b>₱4,371,052,573</b>	₱3,024,001,394	₱3,897,257,081
Fuel and lubricants	<b>1,489,016,376</b>	1,163,408,917	2,991,475,911
Outside services (Note 19)	<b>1,549,788,146</b>	695,999,390	1,075,701,964
Depreciation and amortization (Notes 9 and 12)	<b>1,157,006,529</b>	519,842,448	822,278,521
Provision for decommissioning and site rehabilitation (Note 16)	<b>1,089,423,459</b>	-	-
Direct labor (Note 19)	<b>700,275,846</b>	446,316,290	577,879,037
Production overhead (Note 19)	<b>207,552,739</b>	335,423,295	423,809,451
Cost of coal (Note 6)	<b>10,564,115,668</b>	6,184,991,734	9,788,401,965
Hauling and shiploading costs (Note 19)	<b>449,384,137</b>	202,827,731	439,609,474
	<b>₱11,013,499,805</b>	₱6,387,819,465	₱10,228,011,439

Cost of power sales consists of:

	2016	2015	2014
Coal	<b>₱2,559,889,904</b>	₱2,679,503,585	₱2,499,389,790
Energy spot purchases	<b>2,495,357,262</b>	107,406,243	4,778,979,591
Depreciation and amortization (Note 9)	<b>2,170,627,728</b>	1,006,345,938	926,330,084
Bunker	<b>137,044,067</b>	93,581,560	255,037,688
Coal handling expense (Note 19)	<b>127,518,172</b>	110,269,630	73,718,525
Lube	<b>42,912,606</b>	40,993,979	27,747,305
Diesel	<b>43,426,757</b>	38,503,060	97,291,733
Market fees	<b>28,091,496</b>	59,041,865	39,485,318
Others	<b>82,653,529</b>	18,627,044	1,495,068
	<b>₱7,687,521,521</b>	₱4,154,272,904	₱8,699,475,102



The cost of coal on power sales consists of:

	2016	2015	2014
Materials and supplies (Note 19)	<b>₱1,015,972,538</b>	₱1,268,480,210	₱952,361,524
Fuel and lubricants	<b>346,095,070</b>	488,016,040	731,018,380
Depreciation and amortization (Notes 9 and 12)	<b>268,925,354</b>	291,951,404	262,866,200
Outside services (Note 19)	<b>360,220,375</b>	218,058,715	200,937,841
Direct labor (Note 19)	<b>162,766,523</b>	187,216,640	141,214,641
Hauling and shiploading costs (Note 19)	<b>104,451,259</b>	85,080,306	107,426,105
Production overhead (Note 19)	<b>301,458,785</b>	140,700,270	103,565,099
	<b>₱2,559,889,904</b>	₱2,679,503,585	₱2,499,389,790

## 22. Operating Expenses

	2016	2015	2014
Government share (Note 28)	<b>₱2,649,979,160</b>	₱1,796,046,847	₱1,858,189,613
Taxes and licenses	<b>549,068,101</b>	283,992,995	198,611,913
Operation and maintenance (Note 19)	<b>411,460,868</b>	324,559,835	328,296,434
Personnel costs (Notes 19 and 20)	<b>362,922,245</b>	295,467,153	275,249,168
Repairs and maintenance	<b>330,609,401</b>	121,330,131	104,316,433
Provision for doubtful accounts - net (Note 5)	<b>149,533,034</b>	925,151,745	-
Office expenses (Note 19)	<b>146,989,002</b>	133,046,584	126,335,538
Insurance and bonds	<b>116,303,915</b>	92,418,625	71,826,559
Professional fees	<b>68,321,444</b>	70,634,134	50,152,727
Depreciation (Note 9)	<b>56,790,728</b>	43,246,105	51,655,398
Entertainment, amusement and recreation	<b>32,347,816</b>	56,042,490	43,298,078
Transportation and travel	<b>17,892,216</b>	31,207,300	28,687,926
Marketing	<b>1,990,558</b>	6,315,763	13,918,905
Provision for inventory obsolescence (Note 6)	<b>1,239,090</b>	20,902,458	-
Loss on disposal and write-down of property, plant and equipment (Note 9)	-	16,087,500	110,976
Others	<b>103,418,662</b>	172,634,820	70,349,709
	<b>₱4,998,866,240</b>	₱4,389,084,485	₱3,220,999,377

Others pertain to various expenses such as advertising and utilities.

## 23. Finance Costs

	2016	2015	2014
Interest on:			
Long-term debt (Note 14)	<b>₱423,378,970</b>	₱168,578,574	₱196,770,666
Amortization of debt issuance cost (Note 14)	<b>13,596,689</b>	10,950,937	16,360,856
Short-term loans (Note 13)	<b>77,918,662</b>	57,987,231	63,337,130
Accretion of cost of decommissioning and site rehabilitation (Note 16)	<b>25,219,891</b>	7,395,580	7,689,928
Bank charges	<b>58,878,494</b>	33,275,592	39,069,744
	<b>₱598,992,706</b>	₱278,187,914	₱323,228,324



## 24. Finance Income

	2016	2015	2014
Interest on:			
Cash in banks (Note 4)	<b>₱36,767,808</b>	₱22,091,022	₱5,178,605
Cash equivalents (Note 4)	<b>41,720,476</b>	25,796,786	29,146,795
Investment in sinking fund (Note 10)	<b>4,313,045</b>	8,992,559	6,671,014
Others	<b>437,367</b>	683,382	456,354
	<b>₱83,238,696</b>	₱57,563,749	₱41,452,768

## 25. Other Income

	2016	2015	2014
Commissioning income	<b>₱595,343,004</b>	₱58,327,356	₱-
Recoveries from insurance claims	<b>218,030,806</b>	161,195,903	82,552,158
Sale of fly ash	<b>123,188,392</b>	133,118,624	113,478,322
Gain (loss) on sale of equipment (Note 9)	<b>(174,667)</b>	76,461,975	336,750
Reversal of allowance for impairment losses	-	10,683,653	-
Miscellaneous	<b>2,054,463</b>	891,119	9,121,503
	<b>₱938,441,998</b>	₱440,678,630	₱205,488,733

### *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.

### *Recoveries from insurance claims*

Recoveries from insurance claims pertain to the amount reimbursed by the insurer on insured equipment which were damaged.

## 26. Income Tax

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

	2016	2015	2014
Current	<b>₱837,219,939</b>	₱995,397,884	₱-
Final	<b>13,884,010</b>	10,713,827	8,116,083
Deferred	<b>11,975,636</b>	175,972,220	(560,983,213)
	<b>₱863,079,585</b>	₱1,182,083,931	(₱552,867,130)



The reconciliation of the effective statutory income tax rate to the effective income tax rate shown in the consolidated statements of comprehensive income follows:

	2016	2015	2014
Statutory income tax rate	<b>30.00%</b>	30.00%	30.00%
Adjustments for:			
Nondeductible expense	<b>0.51</b>	0.08	–
Nondeductible interest expense	<b>0.05</b>	0.05	0.03
Unrecognized deferred tax assets	<b>4.36</b>	7.62	15.02
Interest income already subject to final tax at a lower rate	<b>(0.08)</b>	(0.04)	(0.04)
Tax-exempt income	<b>(28.15)</b>	(25.48)	(53.77)
<b>Effective income tax rate</b>	<b>6.69%</b>	12.23%	(8.76%)

The components of net deferred tax assets as of December 31, 2016 and 2015 follow:

	2016	2015
Deferred tax assets (liabilities) on:		
Allowance for impairment losses	<b>₱455,486,299</b>	₱413,361,049
Unrealized foreign exchange loss	<b>(14,734,836)</b>	43,267,396
Unrealized foreign exchange gain	<b>543,246</b>	–
Accrual of pension obligation	<b>28,239,618</b>	27,183,716
Allowance for inventory obsolescence	<b>20,218,166</b>	19,846,439
Allowance for doubtful accounts	<b>22,403,520</b>	19,668,863
Various accruals	<b>2,909,884</b>	6,990,107
Provision for decommissioning and site rehabilitation	<b>3,113,659</b>	2,675,078
NOLCO	<b>337,422</b>	509,811
MCIT	–	2,042,359
	<b>₱518,516,978</b>	₱535,544,818

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

*Parent Company*

Year Incurred	Amount	Expiry Year
2016	₱1,809,066,463	2019
2015	2,455,567,304	2018
2014	4,878,525,474	2017
	<b>₱9,143,159,241</b>	





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

*SEUI*

Year Incurred	Amount	Expiry Year
2016	₱258,301	2019
2015	139,173	2018
2014	131,010	2017
	<b>₱528,484</b>	

*SCI*

Year Incurred	Amount	Expiry Year
2016	₱43,128	2019
2015	351,212	2018
2014	201,915	2017
	<b>₱596,255</b>	

Rollforward analysis of the Group's NOLCO follows:

	2016	2015
Balance at beginning of year	<b>₱10,775,473,365</b>	₱11,462,948,714
Addition	<b>1,809,367,892</b>	2,456,057,689
Expired	<b>(3,440,557,277)</b>	(3,143,533,038)
Balance at the end of year	<b>₱9,144,283,980</b>	₱10,775,473,365

Rollforward analysis of the Group's MCIT follows:

	2016	2015
Balance at beginning of year	<b>₱2,042,359</b>	₱-
Addition	-	2,042,359
Used	<b>(2,042,359)</b>	-
Balance at the end of year	<b>₱-</b>	₱2,042,359

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 (6) years from September 2008 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. For purposes of availment of ITH, a base figure of 2,710,091 MT representing the Parent Company's average sales volume for the past three (3) years prior to the expansion shall be used.



The Parent Company shall initially be granted a four (4) year ITH. The additional two (2) year ITH shall be granted upon submission of completed or on-going projects in compliance with its CSR, which shall be submitted before the lapse of its initial four (4) year ITH. The Parent Company's ITH of 6 years lapsed in September 2014.

On May 1, 2014, BOI approved the Parent Company's additional year of ITH entitlement from September 2014 to September 2015 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 (5) years from the date of registration. The president, general manager and treasurer of foreign-owned registered companies or their equivalent shall not be subject to the foregoing limitations.

Date of filing: Application shall be filed with the BOI Incentives Department before assumption to duty of newly hired foreign nationals and at least one (1) month before expiration of existing employment for renewal of visa.

- c. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

On August 19, 2009, the BOI granted the Parent Company's request for a reduced base figure from 2,710,091 MT to 1,900,000 MT representing the average sales volume for the past eight (8) years (2000 to 2007) prior to registration with BOI.

The Parent Company'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 (4) 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 tax incentive in the form of ITH on its income under registered activities amounting to ₱2,747.09 million, ₱2,339.37 million and ₱2,686.91 million in 2016, 2015 and 2014, respectively.

#### *SCPC*

On April 19, 2010, SCPC was registered with the BOI as New Operator of the 600-MW Calaca Coal-Fired Power Plant on a Non-Pioneer Status in accordance with the provisions of the Omnibus Investments Code of 1987. In accordance with its registration, SCPC shall be entitled to, among others, an ITH for four (4) years from April 2011 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH



incentives shall be limited to the revenue generated from the sales of electricity of the 600 MW Batangas Coal-Fired Thermal Power Plant.

On January 7, 2011, BOI approved SCPC's request for an earlier application of the ITH to be effective January 1, 2010.

On December 17, 2013, BOI approved SCPC's request for the extension for one (1) year of the ITH for the period January 1 to December 31, 2014. Starting January 1, 2015, the Company is in tax position applying regular corporate income tax.

*SLPGC*

On June 21, 2012, the application for registration of SLPGC as new operator of 300 MW (Phase 1) Batangas Coal Fired Power Plant on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226) was approved. Pursuant thereto, SLPGC shall be entitled to the following incentives, among others:

- a. ITH for four (4) years from January 2015 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.
- b. For the first five (5) years from date of registration, the enterprise shall be allowed an additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availments as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board and provided that this incentive shall not be availed of simultaneously with the ITH.
- c. Importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond.
- d. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration.
- e. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

On June 19, 2015, SLPGC wrote the BOI informing the latter of the delay in the start of commercial operations of Units 1 & 2 of the 2x150 MW CFB Fired Power Plant Project citing as reason the delay in the substation interconnection of the plant due to legal and commercial issues between and among the National Power Corporation, National Transmission Corporation, First Gas Power Corporation, MERALCO, PSALM and National Grid Corporation.

On July 2, 2015, the BOI replied that the BOI may grant a request for deferment of start of commercial operations with justifiable cause for a maximum of one (1) year. The BOI may also grant a second request for deferment for six (6) months provided that the reason for the second request is different from the first. However, failure to start commercial operations as committed in a second request shall be a ground for automatic cancellation of registration without prejudice to filing a new application for registration.

On February 16, 2016, SLPGC informed the BOI that testing and commission commenced shortly after the interconnection issue was resolved on July 16, 2015. In said letter SLPGC formally requested the BOI for extension of the reckoning period of ITH for the six (6) 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. During 2016, the SLPGC availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱842.59 million.

---

## 27. Basic/Diluted Earnings Per Share

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

	2016	2015	2014
Net income	<b>₱12,040,669,988</b>	₱8,486,909,081	₱6,861,294,479
Divided by the weighted average number of common shares outstanding	<b>1,067,673,504</b>	1,068,750,000	1,068,750,000
Basic/diluted earnings per share	<b>₱11.28</b>	₱7.94	₱6.42

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.

---

## 28. 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 provision for DOE's share under this contract and to the different LGU in the province of Antique, under the provisions of the Local Government Code of 1991, amounted to ₱2,649.98 million, ₱1,796.05 million and ₱1,858.19 million in 2016, 2015 and 2014, respectively, included under 'Operating expenses' in the consolidated statements of comprehensive income (see Note 22). Payable to DOE and LGU, amounting to ₱1,647.72 million and ₱1,121.54 million as of December 31, 2016 and 2015 are included under the 'Trade and other payables' account in the consolidated statements of financial position (see Note 15).

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.

---

## 29. Contingencies and Commitments

### SCPC

#### a. Provision for billing disputes

On October 20, 2010, SCPC filed a Petition for dispute resolution ("Petition") before the Energy Regulatory Commission (ERC) against NPC and PSALM involving over-nominations made by NPC during the billing periods January to June 2010 beyond the 169,000 kW Manila Electric Company (MERALCO) allocation of SCPC, as provided under the Schedule W of the APA.

In its Petition, SCPC sought to recover the cost of energy (a) sourced by SCPC from WESM in order to meet NPC's nominations beyond the 169,000 kW MERALCO contracted demand, or (b) procured by NPC from the WESM representing energy nominated by NPC in excess of the 169,000 kW limit set in Schedule W, cost of which was charged by PSALM against SCPC. In relation to this, NPC withheld the payments of MERALCO and remitted to SCPC the collections, net of the cost of the outsourced energy.

SCPC has likewise sought to recover interest on the withheld MERALCO payments collected by PSALM that is unpaid to SCPC as of due date, to be charged at the rate of 6% computed from the date of SCPC's extrajudicial demand until full payment by PSALM.

During the preliminary conference scheduled on November 25, 2010, the ERC's hearing officer directed the parties to explore the possibility of settling the dispute amicably. As the parties failed to arrive at a compromise during the prescribed period, hearings resumed with the conduct of preliminary conference on February 23, 2011, without prejudice to the result of any further discussions between the parties for amicable settlement. The ERC set the next hearing for the presentation of witnesses on March 22 and 23, 2011.



In 2010, SCPC made a provision for the total amount withheld by NPC, which amounted to ₱383.29 million. Though a provision has already been made, SCPC has not waived its right to collect the said amount in case the outcome of the dispute resolution would be a favorable settlement for SCPC. The provision will be reversed and an income would be recognized in the 'Other income' account upon collection of the said receivable.

On July 6, 2011, the ERC rendered its Decision in favor of SCPC and directed the parties, among others to submit the reconciled computation of the over-nominations and other MERALCO payments withheld by PSALM during the periods January 2010 to June 2010, and for PSALM to return to SCPC the amount computed and reconciled, including the interests thereon a rate of 6% per annum. PSALM filed a Motion for Reconsideration on the Decision which was denied by ERC in an order dated February 13, 2012 for lack of merit.

On April 24, 2012, SCPC and PSALM each filed their Compliance submitting the reconciled computations of the over-nominations and other MERALCO payments withheld by PSALM, as agreed upon by the parties, in the principal amount of ₱476.00 million.

On December 4, 2013, SCPC filed a Motion for Issuance of Writ of Execution praying to direct PSALM to remit the Principal Amount, including interest of 6% per annum computed from August 4, 2010 until the date of actual payment, as well as the value added tax collected by PSALM from MERALCO, pursuant to the ERC's Decision dated July 6, 2011 and Order dated February 13, 2012.

On June 23, 2014, the ERC issued an Order granting the Writ of Execution in favor of SCPC and called a clarificatory conference on September 3, 2014 for the parties to discuss the details of the execution. PSALM filed a Motion for Reconsideration of the ERC's Order dated June 23, 2014.

On September 3, 2014 clarificatory conference, the ERC directed the parties to discuss how they could mutually carry out the execution granted by the ERC in favor of SCPC and likewise (1) granted SCPC ten days to file its Comment/Opposition to PSALM's motion for reconsideration; and (2) ordered PSALM to file its Compliance and submit a copy of the 3<sup>rd</sup> 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 3<sup>rd</sup> Indorsement. On September 15, 2014, SCPC filed its Opposition to PSALM's Motion for Reconsideration.

As of December 31, 2016, the ERC has not resolved PSALM's Motion for Reconsideration.

*PSALM's Petition for Review before the Court of Appeals and Supreme Court of the Philippines*

Meanwhile, PSALM filed a Petition for Review with Prayer for Temporary Restraining Order and/or Preliminary Injunction with the Court of Appeals on March 30, 2012, questioning the ERC's decision dated July 6, 2011 and Order dated February 13, 2012. On September 4, 2012, the Court of Appeals rendered a Decision, denying PSALM's petition and affirming the related Decision and Order previously issued.



PSALM subsequently filed a Motion for Reconsideration dated September 26, 2012 and seeking the reconsideration of the Decision dated September 4, 2012. SCPC filed its Opposition to PSALM's Motion for Reconsideration on November 5, 2012. Subsequently, the Court of Appeals issued a Resolution denying the Motion for Reconsideration filed by PSALM on November 27, 2012.

On December 27, 2012, PSALM filed a Petition for Review on Certiorari with Prayer for Issuance of Temporary Restraining Order and/or Preliminary Injunction with the Supreme Court.

Subsequently the Supreme Court issued a Resolution dated January 21, 2013 requiring SCPC to file a Comment to PSALM's Petition. Thus, on March 25, 2013, SCPC filed its Comment.

PSALM filed a Motion for Extension to file reply on July 25, 2013, requesting for an additional period of ten (10) days from July 25, 2013, or until August 4, 2013, within which to file its Reply. PSALM subsequently filed its Reply on August 2, 2013.

In a Resolution dated September 30, 2013, the Supreme Court granted PSALM's Motion for Extension to File Reply and noted the filing of PSALM's Reply.

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 Motion for Reconsideration by the Supreme Court, the Company 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.

b. Operating Lease Commitment - as a Lessee

As discussed in Notes 8 and 12, SCPC entered into a LLA with PSALM for the lease of land where the Power Plant is situated, for the period of 25 years, renewable for another 25 years upon mutual agreement. In 2009, SCPC paid US\$3.19 million or its peso equivalent ₱150.57 million as advance rental for the 25-year land lease.

Provisions of the LLA include that SCPC has the option to buy the Option Assets upon issuance of an Option Existence Notice (OEN) by the lessor. Option assets are parcels of land that form part of the leased premises which the lessor offers for sale to the lessee.

SCPC was also required to deliver and submit to the lessor a performance security amounting to ₱34.83 million in the form of Stand-by Letter of Credits. The Performance Security shall be maintained by SCPC in full force and effect continuously without any interruption until the Performance Security expiration date. The Performance Security initially must be effective for the period of one year from the date of issue, to be replaced prior to expiration every year thereafter and shall at all times remain valid.



In the event that the lessor issues an OEN and SCPC buy the option assets, the land purchase price should be equivalent to the highest of the following and/or amounts: (i) assessment of the Provincial Assessors of Batangas Province; (ii) the assessment of the Municipal or City Assessor having jurisdiction over the particular portion of the leased premises; (iii) the zonal valuation of Bureau of Internal Revenue or, (iv) 21.00 per square meter (dollar). Valuation basis for (i) to (iii) shall be based on the receipt of PSALM of the option to exercise notice.

The exchange rate to be used should be the Philippine Dealing Exchange rate at the date of receipt of PSALM of the option to exercise notice.

On July 12, 2010, PSALM issued an OEN and granted SCPC the “Option” to purchase parcels of land (Optioned Assets) that form part of the leased premises. SCPC availed of the “Option” and paid the Option Price amounting to US\$0.32 million (₱14.72 million) exercisable within one year from the issuance of the Option Existence Notice.

On April 28, 2011, SCPC sent a letter to PSALM requesting for the assignment of the option to purchase a lot with an area of 82,740 sqm in favor of its Parent Company. On May 5, 2011, PSALM approved the assignment. On June 1, 2011, SCPC exercised the land lease option at a purchase price of ₱292.62 million and is included as part of ‘Property, plant and equipment’ (see Note 9).

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.

#### SLPGC

##### a. Construction contract

SLPGC entered into a construction contract with DMCI for the construction of its power plant. SLPGC is entitled to liquidating damages at the daily rate of 1/10 of 1% of the Contract Price which in no event shall exceed 10% of the Contract Price. To date, the discussion with DMCI for the time extensions and estimated time of completion is still on going and has not been finalized, thus no asset from liquidated damages had been recorded to date.





SMPC

a. Commitments

The Parent Company leases land at the minesite and building as office space. Future minimum rental payables under operating leases follow:

	2016	2015
Within one year	<b>₱16,128,213</b>	₱2,590,382
After one year but not more than five years	<b>10,935,837</b>	2,063,587
	<b>₱27,064,050</b>	₱4,653,969

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.

---

**30. 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
- 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, 2016 and 2015.

*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):

	<b>2016</b>	2015
Domestic market	<b>41.08%</b>	45.82%
Export market	<b>58.92%</b>	54.18%

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, 2016 and 2015 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 2016 and 2015.

Change in coal price	<u>Effect on income before income tax</u>	
	<b>2016</b>	2015
<i>Based on ending coal inventory</i>		
Increase by 35% in 2016 and 15% in 2015	<b>₱555,060,791</b>	₱416,498,009
Decrease by 35% in 2016 and 15% in 2015	<b>(555,060,791)</b>	(416,498,009)
<i>Based on coal sales volume</i>		
Increase by 35% in 2016 and 15% in 2015	<b>4,416,543,681</b>	2,452,398,481
Decrease by 35% in 2016 and 15% in 2015	<b>(4,416,543,681)</b>	(2,452,398,481)



*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:

		2016						Carrying
		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	Value
<b>Cash in banks and cash equivalents</b>		<b>1.38% to 2.75%</b>	<b>₱6,988,169,008</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱6,988,169,008</b>
<b>Foreign long-term debt at floating rate</b>								
\$26.54 million loan (USD)	Floating rate to be repriced every 3 months		₱-	₱1,319,641,378	₱-	₱-	₱-	₱1,319,641,378
\$27.06 million loan (USD)	Floating rate to be repriced every 3 months		-	-	1,345,286,774	-	-	1,345,286,774
\$17.16 million loan (USD)	Floating rate to be repriced every 3 months		-	-	853,379,509	-	-	853,379,509
			<b>₱-</b>	<b>₱1,319,641,378</b>	<b>₱2,198,666,283</b>	<b>₱-</b>	<b>₱-</b>	<b>₱3,518,307,661</b>
		2015						Carrying
		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	Value
<b>Cash in banks and cash equivalents</b>		<b>1.38% to 2.75%</b>	<b>₱4,740,745,399</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱4,740,745,399</b>
<b>Foreign short-term debt at floating rate</b>								
\$19.80 million loans (USD)	Floating rate		₱885,534,976	₱-	₱-	₱-	₱-	₱885,534,976
<b>Foreign long-term debt at floating rate</b>								
\$29.41 million loan (USD)	Floating rate to be repriced every 3 months		-	-	1,383,979,053	-	-	1,383,979,053
\$28.00 million loan (USD)	Floating rate to be repriced every 3 months		1,317,680,000	-	-	-	-	1,317,680,000
\$9.31 million loan (USD)	Floating rate to be repriced every 3 months		438,116,431	-	-	-	-	438,116,431
\$1.61 million loan (USD)	Floating rate payable quarterly and in arrears, to be repriced every 90 days		75,958,914	-	-	-	-	75,958,914
<b>Mortgage payable at floating rate</b>								
	PDST-F benchmark yield for three-month treasury securities + 1.00%		1,693,555,857	1,695,089,629	1,696,680,624	1,698,330,989	4,253,457,767	11,037,114,866
	PDST-F benchmark yield for 3-month treasury securities +1.75%		1,530,478,240	767,281,099	-	-	-	2,297,759,339
			<b>₱5,941,324,418</b>	<b>₱2,462,370,728</b>	<b>₱3,080,659,677</b>	<b>₱1,698,330,989</b>	<b>₱4,253,457,767</b>	<b>₱17,436,143,579</b>



The following table demonstrates the sensitivity of the Group's income before tax to a reasonably possible change in interest rates on December 31, 2016 and 2015, with all variables held constant, through the impact on floating rate borrowings.

Basis points (in thousands)	Effect on Income Before Tax	
	2016	2015
+100	(P166,897)	(P195,436)
-100	166,897	195,436

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, 2016 and 2015 based on undiscounted contractual payments:

	2016					Total
	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	
<b>Assets</b>						
<b>Cash in banks and cash equivalents</b>	₱6,988,169,008	₱-	₱-	₱-	₱-	₱6,988,169,008
<b>Receivables</b>						
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
<b>Environmental guarantee fund</b>	-	-	-	-	3,520,000	3,520,000
<b>Investment in sinking fund</b>	68,716,379	-	-	-	-	68,716,379
	<b>12,270,577,705</b>	<b>461,258,830</b>	<b>-</b>	<b>-</b>	<b>7,061,205</b>	<b>12,738,897,740</b>
<b>Liabilities</b>						
<b>Trade and other payables</b>						
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
<b>Short-term loans***</b>	<b>1,606,400,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,606,400,000</b>
<b>Long-term debt at floating rate***</b>						
\$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 arrears	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
	<b>12,525,364,332</b>	<b>1,036,700,615</b>	<b>4,025,186,005</b>	<b>4,037,662,177</b>	<b>6,750,293,329</b>	<b>28,375,206,458</b>
	<b>(₱254,786,627)</b>	<b>(₱575,441,785)</b>	<b>(₱4,025,186,005)</b>	<b>(₱4,037,662,177)</b>	<b>(₱6,743,232,124)</b>	<b>(₱15,636,308,718)</b>

\*excludes advances for liquidation

\*\*excludes statutory liabilities

\*\*\*includes interest payable



	2015					Total
	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	
<b>Assets</b>						
Cash in banks and cash equivalents	₱4,740,745,399	₱-	₱-	₱-	₱-	₱4,740,745,399
Receivables						
Trade :						
Outside parties	2,337,954,923	30,303,905	322,650,167	-	-	2,690,908,995
Related parties	68,830,272	-	-	-	-	68,830,272
Others*	82,726,459	-	-	-	-	82,726,459
Environmental guarantee fund	-	-	-	-	1,500,000	1,500,000
Investment in sinking fund	460,234,017	-	-	-	-	460,234,017
	7,690,491,070	30,303,905	322,650,167	-	1,500,000	8,044,945,142
<b>Liabilities</b>						
Trade and other payables						
Trade:						
Payable to suppliers and contractors	4,000,643,528	-	1,240,838,243	-	-	5,241,481,771
Related parties	1,383,876,235	-	1,498,829,715	-	-	2,882,705,950
Accrued expenses and other payables**	309,212,881	-	-	-	-	309,212,881
Short-term loans***	3,001,897,191	-	-	-	-	3,001,897,191
Long-term debt at floating rate***						
\$29.41 million loan (USD) with interest payable in arrears	8,700,384	8,700,384	17,400,769	1,392,679,437	-	1,427,480,974
\$28.00 million loan (USD) with interest payable in arrears	9,506,073	1,327,186,073	-	-	-	1,336,692,146
\$9.31 million loan (USD) with interest payable in arrears	3,364,077	441,480,508	-	-	-	444,844,585
\$1.61 million loan (USD) with interest payable in arrears	583,023	76,541,937	-	-	-	77,124,960
PDST-F benchmark yield for 3-month treasury securities + 1.75%	1,067,520,226	1,050,584,667	2,068,831,989	2,002,619,399	6,765,199,886	12,954,756,167
PDST-F benchmark yield for 3-month treasury securities + 1.00%	806,872,221	793,006,854	778,866,404	-	-	2,378,745,479
	10,592,175,839	3,697,500,423	5,604,767,120	3,395,298,836	6,765,199,886	30,054,942,104
	(₱2,901,684,769)	(₱3,667,196,518)	(₱5,282,116,953)	(₱3,395,298,836)	(₱6,763,699,886)	(₱22,009,996,962)

\*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, substantially all of capital expenditures are in US\$.

The Group manages this risk by matching receipts and payments in the same currency and monitoring. Approximately, 56.92% and 54.18% of the Group's sales in 2016 and 2015, respectively, were denominated in US\$ whereas approximately 21.08% and 16.45% of debts as of December 31, 2016 and 2015, 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, 2016		December 31, 2015	
	U.S. Dollar	Peso Equivalent	U.S. Dollar	Peso Equivalent
<b>Assets</b>				
Cash and cash equivalents	\$63,213,830	₱3,142,991,628	\$3,376,117	₱158,880,066
Trade receivables	17,693,667	879,729,123	8,298,296	390,517,809
<b>Liabilities</b>				
Trade payables	(14,874,729)	(739,571,526)	(12,440,275)	(585,439,342)
Short-term loans	-	-	(18,817,148)	(885,534,976)
Long-term debt (including current portion)	(70,762,423)	(3,518,307,672)	(68,332,648)	(3,215,734,398)
<b>Net exposure</b>	<b>(\$4,729,655)</b>	<b>(₱235,158,447)</b>	<b>(\$87,915,658)</b>	<b>(₱4,137,310,841)</b>

*The exchange rates used were ₱49.72 to \$1 and ₱47.06 to \$1 in 2016 and 2015, 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, 2016 and 2015.

Reasonably possible change in the Philippine peso-US dollar exchange rate	Increase (decrease) in income before tax	
	2016	2015
₱2	(₱9,459,310)	(₱175,831,316)
(2)	9,459,310	175,831,316

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 ₱403.43 million, ₱300.06 million and ₱52.14 million in 2016, 2015 and 2014, respectively, arising from the translation of the Group's cash and cash equivalents, trade receivables, trade payables, short-term loans and long-term debt.

*Credit risk*

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group manages and controls credit risk by doing business with recognized, creditworthy third parties, thus, there is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group evaluates the financial condition of the local customers before deliveries are made to them.





On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject for the Group's approval, hence, mitigating the risk on collection. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to doubtful accounts is not significant. The Group generally bills 80% of coal delivered payable within 30 days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered. The Group's exposure to credit risk from trade receivables arise from the default of the counterparty with a maximum exposure equal to their carrying amounts.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, other receivables, environmental guarantee fund and investment in sinking fund, the exposure to credit risk arises from default of the counterparty with a maximum exposure to credit risk equal to the carrying amount of the financial assets as of reporting date. The Group does not hold any collateral or other credit enhancement that will mitigate credit risk exposure. The Group transacts only with institutions or banks and third parties that have proven track record in financial soundness. The management does not expect any of these institutions to fail in meeting their obligations.

The credit risk is concentrated to the following markets:

	2016	2015
Trade receivables - outside parties	97.10%	96.38%
Trade receivables - related parties	1.06	1.64
Others	1.84	1.98
	<b>100.00%</b>	<b>100.00%</b>

As of December 31, 2016 and 2015, the credit quality per class of financial assets is as follows:

	2016					Total
	Neither Past Due nor Impaired		Substandard Grade	Past due and/or Individually Impaired		
	Grade A	Grade B				
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
<b>Total</b>	<b>₱11,577,617,820</b>	<b>₱-</b>	<b>₱-</b>	<b>₱2,663,143,711</b>	<b>₱-</b>	<b>₱14,240,761,531</b>

\*excludes advances to contractors

	2015					Total
	Neither Past Due nor Impaired		Substandard Grade	Past due and/or Individually Impaired		
	Grade A	Grade B				
Cash in banks and cash equivalents	₱4,740,745,399	₱-	₱-	₱-	₱-	₱4,740,745,399
Receivables:						
Trade receivables - outside parties	1,695,118,299	-	-	2,361,291,829	-	4,056,410,128
Trade receivables - related parties	68,830,272	-	-	-	-	68,830,272
Others*	62,399,202	-	-	5,815,359	-	68,214,561
Environmental guarantee fund	1,500,000	-	-	-	-	1,500,000
Investment in sinking fund	460,234,017	-	-	-	-	460,234,017
<b>Total</b>	<b>₱7,028,827,189</b>	<b>₱-</b>	<b>₱-</b>	<b>₱2,367,107,188</b>	<b>₱-</b>	<b>₱9,395,934,377</b>

\*excludes advances to contractors



Cash in banks and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top ten (10) banks in the Philippines in terms of resources and profitability. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency. Trade 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, 2016 and 2015, the aging analyses of the Group's past due and/individually impaired receivables presented per class are as follows:

	2016			
	Past Due but not Impaired		Impaired Financial Assets	Total
	45 Days and Less	More than 45 Days		
<i>Receivables</i>				
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
<b>Total</b>	<b>₱563,758,478</b>	<b>₱554,613,643</b>	<b>₱1,544,771,590</b>	<b>₱2,663,143,711</b>

	2015			
	Past Due but not Impaired		Impaired Financial Assets	Total
	45 Days and Less	More than 45 Days		
<i>Receivables</i>				
Trade receivables - outside parties	₱484,664,904	₱454,301,298	₱1,422,325,637	₱2,361,291,839
Others	-	-	5,815,359	5,815,359
<b>Total</b>	<b>₱484,664,904</b>	<b>₱454,301,298</b>	<b>₱1,428,140,996</b>	<b>₱2,367,107,198</b>



*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, 2016 and 2015.

	2016	2015
Interest-bearing loans	<b>₱16,689,746,853</b>	₱19,543,609,597
Total equity	<b>34,286,311,249</b>	26,901,082,159
Debt-to-equity ratio	<b>48.68%</b>	72.65%
EPS (Note 26)	<b>₱11.28</b>	₱7.94

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, 2016 and 2015:

	2016	2015
Total paid-up capital	<b>₱7,744,277,411</b>	₱7,744,277,411
Acquisition of treasury shares	<b>(387,547,028)</b>	-
Remeasurement losses on pension plan	<b>(23,403,645)</b>	(30,509,775)
Retained earnings - unappropriated	<b>19,152,984,511</b>	13,887,314,523
Retained earnings - appropriated	<b>7,800,000,000</b>	5,300,000,000
	<b>₱34,286,311,249</b>	₱26,901,082,159

### 31. Fair Values

Fair Value Information

Cash and cash equivalents, receivables, environmental guarantee fund, investment in sinking fund, trade payables, accrued expenses and other payables, and short-term loans carrying amounts approximate fair value. Most of these financial instruments are relatively short-term in nature.

*Long-term debt*

The carrying values approximated the fair value because of recent and regular repricing of interest rates (e.g. monthly, quarterly, semi-annual or annual basis) based on current market conditions. As of December 31, 2016 and 2015, interest rate ranges from 1.20% to 3.37% and 1.44% to 1.66%, respectively.



Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of December 31, 2016 and 2015, the Group does not have financial instruments measured at fair value.

---

**32. Notes to Consolidated Statements of Cash Flow**

Supplemental disclosure of noncash investing activities follows:

	2016	2015	2014
Depreciation capitalized as Mine properties, mining tools and other equipment (Note 9)	<b>₱463,416,913</b>	₱382,953,462	₱64,703,005
Depreciation capitalized as coal inventory (Note 9)	<b>157,309,090</b>	112,122,124	39,109,356
Transfer from Exploration and evaluation asset to Property, plant and equipment	<b>4,947,746,319</b>	-	-

---

**33. 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
- Others - other investing activities.

No operating segments have been aggregated to form the above reportable operating segments.



The chief operating decision maker (CODM) monitors the operating results of the Group for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, operating profit and pretax income which are measured similarly in the consolidated financial statements. Transactions between operating segments are made at terms and prices agreed upon by the parties.

2016 (In thousands)					
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
<b>Revenue</b>					
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)	(7,728,598)	–	4,216,456	(15,077,631)
Depreciation and amortization	(1,452,763)	(2,170,628)	–	–	(3,623,391)
<b>Gross profit</b>	11,138,365	6,605,687	–	139,301	17,883,353
Operating expenses*	(3,204,037)	(1,737,740)	(299)	–	(4,942,076)
Depreciation	(20,932)	(35,858)	–	–	(56,790)
Operating profit	7,913,396	4,832,089	(299)	139,301	12,884,487
Other income	2,675,074	761,313	2,054	(2,500,000)	938,441
Finance income	40,910	42,284	46	–	83,240
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
<b>Net income</b>	₱9,995,489	₱4,404,048	₱1,831	(₱2,360,699)	₱12,040,669
Segment assets	₱41,131,197	₱44,531,793	₱163,763	(₱20,584,793)	₱65,241,960
Deferred tax assets	53,816	464,308	393	–	518,517
	₱41,185,013	₱44,996,101	₱164,156	(₱20,584,793)	₱65,760,477
Segment liabilities	₱9,518,662	₱10,439,220	₱157,951	(₱3,731,415)	₱16,384,418
Long-term debt	5,618,308	9,471,439	–	–	15,089,747
	₱15,136,970	₱19,910,660	₱157,951	(₱3,731,415)	₱31,474,165
<b>Cash flows arising from:</b>					
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)
<b>Other disclosures</b>					
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
<b>Revenue</b>					
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
<b>Net income</b>	<b>₱6,754,523</b>	<b>₱3,317,938</b>	<b>(₱559)</b>	<b>(₱1,584,993)</b>	<b>₱8,486,909</b>
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
<b>Cash flows arising from:</b>					
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)
<b>Other disclosures</b>					
Capital expenditures	₱3,367,945	₱2,430,231	₱-	₱-	₱5,798,176
Provision for inventory obsolescence	20,902	-	-	-	20,902

\*Excluding depreciation and/or amortization



2014 (In thousands)					
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱16,276,930	₱12,308,411	₱-	₱-	₱28,585,341
Inter-segment sales	2,629,502	-	-	(2,629,502)	-
	18,906,432	12,308,411	-	(2,629,502)	28,585,341
Cost of sales*	(11,076,242)	(8,424,654)	-	2,654,902	(16,845,994)
Depreciation and amortization	(1,155,162)	(926,330)	-	-	(2,081,492)
Gross profit	6,675,028	2,957,427	-	25,400	9,657,855
Operating expenses*	(2,228,618)	(940,403)	(211)	-	(3,169,232)
Loss on property, plant and equipment writedown	-	(111)	-	-	(111)
Depreciation	(24,363)	(27,293)	-	-	(51,656)
Operating profit	4,422,047	1,989,620	(211)	25,400	6,436,856
Other income	3,592,010	113,478	-	(3,500,000)	205,488
Finance income	15,458	25,946	48	-	41,452
Foreign exchange loss	(61,847)	9,706	-	-	(52,141)
Finance costs	(119,938)	(203,290)	-	-	(323,228)
Provision for (benefit from) income tax	81,511	(634,326)	(52)	-	(552,867)
Net income	₱7,766,219	₱2,569,786	(₱111)	(₱3,474,600)	₱6,861,294
Segment assets	₱29,956,474	₱39,771,050	₱103,946	(₱18,634,289)	₱51,197,181
Deferred tax assets	61,327	642,805	63	-	704,195
	₱30,017,801	₱40,413,855	₱104,009	(₱18,634,289)	₱51,901,376
Segment liabilities	7,840,237	6,352,534	99,121	(3,299,337)	10,992,555
Long-term debt	3,933,732	14,268,877	-	-	18,202,609
	11,773,969	20,621,411	99,121	(3,299,337)	29,195,164
Cash flows arising from:					
Operating activities	₱10,641,091	₱4,723,833	₱60,719	(₱3,500,000)	₱11,925,643
Investing activities	(4,836,221)	(7,846,199)	(60,525)	2,071,680	(10,671,265)
Financing activities	(5,622,727)	1,806,248	-	1,428,320	(2,388,159)
Other disclosures					
Capital expenditures	₱3,031,944	₱7,956,352	₱-	₱-	₱10,988,296
Reversal of inventory obsolescence	(12,154)	-	-	-	(12,154)

\*Excluding depreciation and/or amortization

1. Intersegment revenues, other income, cost and expenses are eliminated in the consolidation under adjustments and eliminations.
2. Segment assets exclude deferred tax assets amounting to ₱518.52 million, ₱535.54 million and ₱704.20 million in 2016, 2015 and 2014, respectively.
3. Significant noncash items charged to comprehensive income include loss on property, plant and equipment writedown and depreciation and amortization.
4. Capital expenditures consist of additions of property, plant and equipment, excluding reclassification of exploration and evaluation asset reclassified to 'Property, plant and equipment' in 2016.
5. All noncurrent assets other than financial instruments are located in the Philippines.

### Geographic Information

#### *Revenues from external customers*

The financial information about the operation of the Group as of December 31, 2016, 2015 and 2014 reviewed by the management follows:

	2016	2015	2014
<b>Revenue:</b>			
Local coal sales	<b>₱14,337,103,962</b>	₱5,862,246,658	₱4,925,268,912
Export coal sales	<b>5,742,358,094</b>	5,919,578,510	11,351,660,886
	<b>₱20,079,462,056</b>	₱11,781,825,168	₱16,276,929,798



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.

---

### 34. Other Matters

#### a. Electric Power Industry Reform Act (EPIRA)

In June 2001, the Congress of the Philippines approved and passed into law R.A. No. 9136, otherwise known as the EPIRA, providing the mandate and the framework to introduce competition in the electricity market. EPIRA also provides for the privatization of the assets of NPC, including its generation and transmission assets, as well as its contract with Independent Power Producers (IPPs). EPIRA provides that competition in the retail supply of electricity and open access to the transmission and distribution systems would occur within three years from EPIRA's effective date. Prior to June 2002, concerned government agencies were to establish WESM, ensure the unbundling of transmission and distribution wheeling rates and remove existing cross subsidies provided by industrial and commercial users to residential customers. The WESM was officially launched on June 23, 2006 and began commercial operations for Luzon. The ERC has already implemented a cross subsidy removal scheme. The inter-regional grid cross subsidy was fully phased-out in June 2002. ERC has already approved unbundled rates for Transmission Company (TRANSCO) and majority of the distribution utilities.

Under EPIRA, NPC's generation assets are to be sold through transparent, competitive public bidding, while all transmission assets are to be transferred to TRANSCO, initially a government-owned entity that was eventually being privatized. The privatization of these NPC assets has been delayed and is considerably behind the schedule set by the DOE. EPIRA also created PSALM, which is to accept transfers of all assets and assume all outstanding obligations of NPC, including its obligations to IPPs. One of PSALM's responsibilities is to manage these contracts with IPPs after NPC's privatization. PSALM is also responsible for privatizing at least 70% of the transferred generating assets and IPP contracts within three years from the effective date of EPIRA.

In August 2005, the ERC issued a resolution reiterating the statutory mandate under the EPIRA law for the generation and distribution companies, which are not publicly listed, to make an initial public offering (IPO) of at least 15% of their common shares. Provided, however, that generation companies, distribution utilities or their respective holding companies that are already listed in the Philippine Stock Exchange (PSE) are deemed in compliance. SCPC was already compliant with this requirement given that the Parent Company is a publicly listed company.

#### *WESM*

With the objective of providing competitive price of electricity, the EPIRA authorized DOE to constitute an independent entity to be represented equitably by electric power industry participants and to administer and operate WESM. WESM will provide a mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity.





In addition, the DOE was tasked to formulate the detailed rules for WESM which include the determination of electricity price in the market. The price determination methodology will consider accepted economic principles and should provide a level playing field to all electric power industry participants. The price determination methodology was subject to the approval of the ERC.

In this regard, the DOE created Philippine Electricity Market Corporation (PEMC) to act as the market operator governing the operation of WESM. On June 26, 2006, WESM became operational in the Luzon grid and adopts the model of a “gross pool, net settlement” electricity market.

b. Power Supply Agreement with MERALCO

On December 20, 2011, SCPC entered into a new power supply agreement with MERALCO, a distributor of electric power, which took effect on December 26, 2011 and shall have a term of seven (7) years extendable upon mutual agreement by the parties for another three (3) years.

SCPC will be providing MERALCO with an initial contracted capacity of 210 MW and will be increased to 420 MW upon the commercial operation of the plant’s Unit 1.

On March 12, 2012, MERALCO filed an application for the *Approval of the Power Supply Agreement (PSA) between MERALCO and SCPC, with a Prayer for Provisional Authority*, docketed as ERC Case No. 2011-037 RC.

In the said application, MERALCO alleged and presented on the following: a.) the salient provisions of the PSA; b.) payment structure under the PSA; c.) the impact of the approval of the proposed generation rates on MERALCO’s customers; and d.) the relevance and urgent need for the implementation of the PSA.

On December 17, 2012, the Commission (ERC) issued a Decision approving the application with modification. On January 7, 2013, applicant MERALCO filed a Motion for Partial Reconsideration of the ERC Decision dated December 17, 2012 to introduce additional material evidence not available at the time of the filing of the application, in support of the reconsideration of the approved Fixed O&M Fee of ₱4,785.12/Kw/Year.

c. Dispute Resolution Proceedings with MERALCO (Line Loss Rental)

On August 29, 2013, MERALCO filed a Petition for Dispute Resolution before the Energy Regulatory Commission against SCPC and other generating companies praying for refund of the amount of line loss allegedly collected by the said generating companies corresponding to 2.98% of the NPC-Time of Use (TOU) amounts paid to the generating companies as assignees of the portions of the contracted energy volume under the NPC-MERALCO Transition Supply Contract pursuant to the Orders dated March 4, 2013 and July 1, 2013 issued by the ERC in ERC Case No. 2008-083MC. The total amount claimed by MERALCO against SCPC ₱265.54 million representing line loss amounts allegedly received by SCPC beginning 2009.

The ERC issued an Order dated September 10, 2013 for the generating companies to file comments on MERALCO’s Petition and set the hearing on October 17, 2013.



On September 20, 2013, the generating companies filed a Joint Motion to Dismiss arguing that MERALCO's Petition failed to state a cause of action and the ERC has no jurisdiction over the subject matter of the case.

On September 25, 2013, the ERC directed MERALCO to file its comments on the Joint Motion to Dismiss. The ERC likewise set the hearing on the Joint Motion to Dismiss on October 14, 2013.

On October 14, 2013, during the hearing on the Joint Motion to Dismiss, ERC directed MERALCO to furnish the generating companies of its Comment and Pre-Trial Brief; granted MERALCO a period of three (3) days from receipt of the generating companies Reply within which to file a Rejoinder; granted the generating companies a period of five (5) days from receipt of MERALCO's Rejoinder to file a Sur-Rejoinder. The ERC denied the generating companies prayer to hold in abeyance the conduct of the initial hearing on October 17, 2013 and shall proceed on said date only insofar as the jurisdictional hearing is concerned without prejudice to the ERC's resolution of the Joint Motion to Dismiss.

The generating companies' Joint Motion to Dismiss has been submitted for resolution. As of December 31, 2016, the Joint Motion to Dismiss has yet to be resolved.

d. Clean Air Act

On November 25, 2000, the Implementing Rules and Regulations (IRR) of the Philippine Clean Air Act (PCAA) took effect. The IRR contains provisions that have an impact on the industry as a whole and on SCPC in particular, that need to be complied within 44 months (or until July 2004) from the effectivity date, subject to the approval by DENR. The power plant of SCPC uses thermal coal and uses a facility to test and monitor gas emissions to conform with Ambient and Source Emissions Standards and other provisions of the Clean Air Act and its IRR. Based on SCPC's initial assessment of its power plant's existing facilities, SCPC believes that it is in full compliance with the applicable provisions of the IRR of the PCAA.

e. Contract for the Fly Ash of the Power Plant

On October 20, 1987, NPC and Pozzolanic Australia Pty, Ltd. ("Pozzolanic") executed the Contract for the Purchase of Fly Ash of the Power Plant (the "Pozzolanic Contract"). Under the Pozzolanic Contract, Pozzolanic was given the right to sell, store, process, remove or otherwise dispose of all fly ash produced at the first unit of the Power Plant. It was also granted the first option to purchase fly ash, under similar terms and conditions, from the second unit of the Power Plant that NPC may construct. It may also exercise the exclusive right of first refusal to purchase fly ash from any new coal-fired power plants which will be put up by NPC.

The Pozzolanic Contract is effective for a period of five consecutive five-year terms from its signing, or a period of 25 years from October 20, 1987 or until 2012, subject to cancellation by NPC upon default or any breach of contract by Pozzolanic. At the end of each five-year term, the parties will agree to assess and evaluate the Pozzolanic Contract, and if necessary, revise, alter, modify the same upon their mutual consent.



The Philippine Government has determined the provision of the Pozzolanic Contract which grants Pozzolanic the exclusive right of first refusal to purchase fly ash from the second unit of the Power Plant and from any coal-fired power plant put up by NPC after the execution of the Pozzolanic Contract as invalid. This is the subject of a case filed by Pozzolanic and pending before the regional trial court of Quezon City as of December 31, 2011.

On April 30, 2012, the SCPC as new owner of the Power Plant and Pozzolanic sealed a new contract valid and effective for a period of fifteen (15) years beginning February 1, 2012. Pozzolanic, as agreed, shall purchase One Hundred (100 %) percent of fly ashes produced or generated by the Power Plant.

f. Temporary Restraining Order on MERALCO

On December 23, 2013, the Supreme Court (SC) issued a temporary restraining order (TRO) to MERALCO enjoining it from increasing the generation rates it charges to its consumers arising from the increased generation costs from its suppliers for the supply month of November 2013. The said TRO also enjoined the Energy Regulatory Commission (ERC) from implementing its December 9, 2013 Order authorizing MERALCO to stagger the collection of its increased generation costs for the supply month of November 2013. The TRO was for a period of 60 days from December 23, 2013 to February 21, 2014.

On January 10, 2014, the SC impleaded MERALCO's suppliers of generation costs, including PEMC, the operator of the wholesale electricity supply market (WESM), as parties-respondents in the cases.

On February 18, 2014, the SC extended the TRO for another 60 days up to April 22, 2014.

On April 24, 2014, the SC issued a resolution and corresponding TRO, extending indefinitely the TRO issued on December 23, 2013 and February 18, 2014.

As a result of the TRO, MERALCO has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs, including PEMC.

On March 11, 2014, the ERC released its ERC Order (Case No 2014-021MC, dated March 3, 2014) voiding the Luzon WESM prices during the November and December 2013 supply months and declaring the imposition of regulated prices in lieu thereof. PEMC was hereby directed within 7 days from receipt of the Order to calculate these regulated prices and implement the same in the revised WESM bills of the concerned distribution utilities in Luzon for the November and December 2013 supply months for their immediate settlement, except for MERALCO whose November 2013 WESM bill shall be maintained in compliance with the TRO issued by the SC.

Several generation companies and distribution companies filed their respective Motions for Reconsideration of the March 3, 2014 ERC Order. The SCPC filed its Motion for Reconsideration with Motion for Deferment of implementation of the Order dated March 3, 2014 on March 31, 2014. The said Motions were set for hearing on April 28, 2014.



In the meantime, PEMC issued the adjusted WESM bills to the market participants, including the SCPC. In an Order dated March 27, 2014, the ERC directed PEMC to provide the market participants an additional period of 45 days from receipt of the Order within which to comply with the settlement of the adjusted WESM bills in view of the pendency of the various submissions before the ERC.

During the hearing held on April 28, 2014, the ERC directed the parties to submit their respective memoranda by May 2, 2014. In compliance with the directive, SCPC filed a Manifestation on May 2, 2014 that it is adopting its Motion for Reconsideration in lieu of filing a Memorandum. In an Order dated October 15, 2014, the ERC denied SCPC's Motion for Reconsideration.

On December 11, 2014, SCPC filed a Petition for Review with Prayer for Issuance of Temporary Restraining Order and/or Writ of Injunction with the Court of Appeals seeking reversal of the ERC Orders dated March 3, 2014 and October 15, 2014. In a resolution dated April 30, 2015, the SCPC's Petition was consolidated with other related cases filed by other generation companies before the Court of Appeals. PEMC and ERC filed their respective Consolidated Comments on the consolidated Petitions to which the SCPC filed its Reply.

MERALCO filed its Consolidated Motion for Leave to Intervene with Opposition to Prayers for issuance of Temporary Restraining Order and/or Writ of Injunction. SCPC filed its Comment to MERALCO's Consolidated Motion on November 2, 2015.

The Court of Appeals is yet to resolve MERALCO's Consolidated Motion and the consolidated Petitions.

Pending the finality of the ERC Order dated March 3, 2014 on recalculation of the WESM prices for the November and December 2013 supply months and its effect on each generation company that trade in the WESM, the SCPC estimated its exposure to the said ERC order. 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. Please see judgments and estimates in Note 3 and the related disclosures on allowance for doubtful accounts in Note 5.

g. 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. As of audit report date, the Parent Company has not yet received the results of the investigation, monitoring and inspection from the DENR Region VI. Management believes that the Group is fully compliant with the rules and regulations in relation to the above activities.



**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)

## **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, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, included in this Form 17-A, and have issued our report thereon dated February 23, 2017. 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. 08-001998-74-2015,  
February 27, 2015, valid until February 26, 2018  
PTR No. 5908770, January 3, 2017, Makati City

February 23, 2017



**SEMIRARA MINING AND POWER CORPORATION**  
**SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR**  
**DIVIDEND DECLARATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Unappropriated Retained Earnings, beginning		₱7,694,972,089
Adjustments:		
Deferred tax asset that reduced the amount of income tax expense of prior periods		41,614,013
Unappropriated retained earnings, as adjusted to available for dividend distribution, as at December 31, 2015		7,736,586,102
Net income actually earned/realized during the period:		
Net income during the period closed to retained earnings	₱9,995,489,336	
Less: Non actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized actuarial gain	-	
Fair value adjustment (M2M gains)	-	
Fair value adjustment of Investment Property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP-gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Deferred tax asset that reduced the amount of income tax expense	52,662,771	
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)	(49,116,121)	
Net income actually earned during the period	9,999,035,986	
Add (Less):		
Dividend declarations during the period	(4,275,000,000)	
Appropriations of retained earnings during the period	(2,500,000,000)	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	(387,547,028)	2,836,488,958
<b>TOTAL RETAINED EARNINGS, END</b>		
<b>AVAILABLE FOR DIVIDEND DECLARATION</b>		<b>₱10,573,075,060</b>



**SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015**

*Financial Soundness Indicators*

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2016 and 2015:

<b>Financial ratios</b>	<b>2016</b>	<b>2015</b>
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.97:1
Quick ratio	$\frac{\text{Current assets less inventories}}{\text{Current liabilities}}$	0.69:1
Solvency ratio	$\frac{\text{Net income plus depreciation}}{\text{Total liabilities}}$	0.34:1
Debt to equity ratio	$\frac{\text{Interest-bearing loans}}{\text{Total equity}}$	0.73:1
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	2.12:1
Inventory turnover	$\frac{\text{Cost of sales}}{\text{Average inventory}}$	2.94:1
Accounts receivable turnover ratio	$\frac{\text{Net credit sales}}{\text{Average accounts receivable}}$	7.14:1
Interest rate coverage	$\frac{\text{Earnings before interest and taxes}}{\text{Interest expense}}$	35.76:1
Return on assets	$\frac{\text{Net income}}{\text{Average total assets}}$	0.16:1
Return on equity	$\frac{\text{Net income}}{\text{Average total equity}}$	0.34:1
Gross Margin ratio	$\frac{\text{Gross profit}}{\text{Sales}}$	0.57:1
Net profit margin ratio	$\frac{\text{Net income}}{\text{Sales}}$	0.34:1

**SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES**

**SCHEDULE A: FINANCIAL ASSETS**

**DECEMBER 31, 2016**

<b>Name of issuing entity and association of each issue</b>	<b>Number of shares or principal amount of bonds and notes</b>	<b>Amount shown in the balance sheet</b>	<b>Income received and accrued</b>
---	--	--	------------------------------------

**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, 2016**

<b>Name and Designation of debtor</b>	<b>Balance at beginning of period</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Not current</b>	<b>Balance at end of period</b>
---------------------------------------	---------------------------------------	------------------	--------------------------	----------------------------	----------------	--------------------	---------------------------------

*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, 2016**

<b>Name of Subsidiaries</b>	<b>Balance at beginning of period</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Not current</b>	<b>Balance at end of period</b>
Sem-Calaca Power Corporation	₱1,679,501,092	₱3,240,098,418	(₱1,554,058,220)	₱-	₱3,365,541,290	₱-	₱3,365,541,290
Semirara Claystone, Inc.	129,549,482	28,156,086	-	-	157,705,568	-	157,705,568
Southwest Luzon Power Generation Corporation	287,306,746	842,013,574	(981,563,818)	-	147,756,502	-	147,756,502
Semirara Energy Utilities, Inc.	437,124	43,128	-	-	480,252	-	480,252
Southeast Luzon Power Generation Corporation	232,937	42,464	-	-	275,401	-	275,401
SEM - Cal Industrial Park Developers, Inc.	127,290	48,198	-	-	175,488	-	175,488
	₱2,097,154,671	₱4,110,401,868	(₱2,535,622,038)	₱-	₱3,671,934,501	₱-	₱3,671,934,501

**SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES****SCHEDULE D: INTANGIBLE ASSETS****DECEMBER 31, 2016**

<b>Description</b>	<b>Beginning balance</b>	<b>Additions at cost</b>	<b>Charged to costs and expenses</b>	<b>Charged to other accounts</b>	<b>Other changes</b>	<b>Ending balance</b>
Capitalized development costs	₱128,170,838	₱27,897,785	₱-	₱-	₱-	₱156,068,623
Software cost	4,776,257	7,220,420	(2,768,168)	-	-	9,228,509
	₱132,947,095	₱35,118,205	(₱2,768,168)	₱-	₱-	₱165,297,132

**SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES**

**SCHEDULE E: LONG TERM DEBT**

**DECEMBER 31, 2016**

<b>Title of issue and type of obligation</b>	<b>Amount authorized by indenture</b>	<b>Interest rates</b>	<b>Maturity date</b>	<b>Number of periodic installments</b>	<b>Amount shown under caption "Current portion of long-term debt" in related balance sheet</b>	<b>Amount shown under caption "Long-term debt" in related balance sheet</b>
Mortgage payable	₱11.50 million	PDST-F benchmark yield for 3-month treasury securities + 1.00%	May 2022	Payable in twenty-five (27) equal consecutive quarterly installments commencing on November 24, 2015	₱1,703,703,704	₱7,639,855,305
Mortgage payable	₱9.60 million	PDST-F benchmark yield for 3-month treasury securities + 1.75%	May 2017	Payable in twenty-five (25) equal consecutive quarterly installments commencing on May 2011	127,880,183	–
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%)	December 2021	Interest payable every 3 months, principal to be paid on maturity date	–	2,100,000,000
Bank loans	\$28.00 million loan (USD)	Floating rate to be repriced every 3 months based on 3-months LIBOR plus a spread of 0.86%	December 2019	Interest payable every 3 months, principal to be paid on maturity date	–	1,345,286,774
Bank loans	\$26.54 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)	December 2018	Interest payable every 3 months, principal to be paid on maturity date	–	1,319,641,378
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%	December 2019	Interest payable every 3 months, principal to be paid on maturity date	–	853,379,509
					₱1,831,583,887	₱13,258,162,966

**SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES**

**SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES**

**DECEMBER 31, 2016**

<b>Name of related party</b>	<b>Balance at beginning of period</b>	<b>Balance at end of period</b>
D.M. Consunji, Incorporated*	₱1,498,829,715	₱423,813,611

*\*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, 2016**

<b>Name of issuing entity of securities guaranteed by the company for which this statements is filed</b>	<b>Title of issue of each class of securities guaranteed</b>	<b>Total amount guaranteed and outstanding</b>	<b>Amount of owned by person for which statement is filed</b>	<b>Nature of guarantee</b>
--	--	--	---	----------------------------

**NOT APPLICABLE**



**SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES****SCHEDULE H: CAPITAL STOCK****DECEMBER 31, 2016**

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	3,000,000,000	1,065,286,430	–	732,768,126	9,387,496	323,130,808



**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, 2016:

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>		✓		
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	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			✓
<b>PFRS 2</b>	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		✓	

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
<b>PFRS 4</b>	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		✓	
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	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		✓	
<b>PFRS 8</b>	Operating Segments	✓		
<b>PFRS 9</b>	Financial Instruments		✓	
<b>PFRS 10</b>	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			✓
<b>PFRS 11</b>	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PFRS 12</b>	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)		✓	
<b>PFRS 13</b>	Fair Value Measurement	✓		
<b>PFRS 14</b>	Regulatory Deferral Accounts			✓
<b>PFRS 15</b>	Revenue from Contracts with Customers		✓	
<b>PFRS 16</b>	Leases		✓	
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	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	✓		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
	Amendments to PAS 7: Statement of Cash Flows, Disclosure Initiative		✓	
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses		✓	

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 16</b>	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			✓
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19 (Amended)</b>	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments to PAS 21: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs	✓		
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			✓
<b>PAS 27</b>	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
<b>PAS 28 (Amended)</b>	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)		✓	
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 32</b>	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	✓		
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting			✓
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non - Financial Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	and Continuation of Hedge Accounting			
	Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version): Hedge Accounting		✓	
<b>PAS 40</b>	Investment Property			✓
	Amendments to PAS 40: Investment Property, Transfers of Investment Property		✓	
<b>PAS 41</b>	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 8</b>	Scope of PFRS 2			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment			✓
<b>IFRIC 11</b>	PFRS 2- Group and Treasury Share Transactions			✓
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓
<b>IFRIC 14</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement			✓



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>IFRIC 15</b>	Agreements for the Construction of Real Estate		✓	
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies	✓		
<b>IFRIC 22</b>	Philippine Interpretation IFRIC-22: Foreign Currency Transactions and Advance Consideration		✓	
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-12</b>	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
<b>SIC-15</b>	Operating Leases - Incentives			✓
<b>SIC-21</b>	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures.			✓
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	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, 2016.

Standards tagged as “Not adopted” are standards issued but not yet effective as of December 31, 2016. The Group will adopt the Standards and Interpretations when these become effective.