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SEC Registration Number

SEMIRARA MINING CORPORATION

(Company's Full Name)

2281 Don Chino Roces Avenue, Makati City

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

Ms. Junalina S. Tabor

(Contact Person)

816-7301

(Company Telephone Number)

12 31

Month *Day*

(Fiscal Year)

AAFS

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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EXCISE TAXPAYERS REGULATORY DIV.

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

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Semirara Mining Corporation
2281 Don Chino Roces Avenue
Makati City

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of Semirara Mining Corporation, which comprise the parent company statements of financial position as at December 31, 2011 and 2010, the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the two years in the period ended December 31, 2011 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

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

Auditors' Responsibility

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

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

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

SGV & Co
ERNST & YOUNG

Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Semirara Mining Corporation as at December 31, 2011 and 2010, and its financial performance and its cash flows for each of the two years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

The supplementary information required under Revenue Regulations 19-2011 and 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of Semirara Mining Corporation in a separate schedule. Revenue Regulations 19-2011 and 15-2010 require the information to be presented in the notes to the parent company financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule 68. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna
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Partner
CPA Certificate No. 36317
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BIR Accreditation No. 08-001998-10-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 3174583, January 2, 2012, Makati City

March 6, 2012

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EXCISE TAXPAYERS REGULATORY DIV.

SEMIRARA MINING CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 28 and 29)	**₱3,752,017,619**	₱2,809,335,762
Receivables (Notes 5, 28 and 29)	**1,914,953,792**	1,517,171,392
Inventories (Note 6)	**3,002,209,507**	1,709,076,972
Other current assets (Note 7)	**870,330,354**	883,024,349
Total Current Assets	**9,539,511,272**	6,918,608,475
Noncurrent Assets		
Investments and advances (Note 8)	**8,772,700,560**	8,000,000,000
Property, plant and equipment (Note 9)	**3,638,097,932**	3,702,160,966
Investment property (Note 10)	**83,981,100**	–
Pension asset (Note 19)	**1,021,507**	–
Other noncurrent assets (Note 11)	**158,450,106**	158,382,864
Total Noncurrent Assets	**12,654,251,205**	11,860,543,830
	₱22,193,762,477	₱18,779,152,305
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 12, 28 and 29)	**₱4,693,213,980**	₱4,656,638,630
Short term loans (Notes 13, 28 and 29)	**623,457,376**	449,845,179
Current portion of long-term debt (Notes 14, 28 and 29)	**1,461,965,924**	–
Total Current Liabilities	**6,778,637,280**	5,106,483,809
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 14, 28 and 29)	**2,634,272,193**	2,797,560,988
Pension liability (Note 19)	**–**	19,996,748
Deferred tax liabilities (Note 25)	**565,481**	28,087,305
Provision for decommissioning and site rehabilitation (Note 15)	**43,894,479**	11,883,508
Total Noncurrent Liabilities	**2,678,732,153**	2,857,528,549
Total Liabilities	**9,457,369,433**	7,964,012,358
Equity		
Capital stock (Notes 16 and 28)	**356,250,000**	356,250,000
Additional paid-in capital (Notes 16 and 28)	**6,675,527,411**	6,675,527,411
Retained earnings (Notes 17 and 28)	**5,704,615,633**	3,783,362,536
Total Equity	**12,736,393,044**	10,815,139,947
	₱22,193,762,477	₱18,779,152,305

See accompanying Notes to Parent Company Financial Statements.

SEMIRARA MINING CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2011	2010
SALES (Note 32)	**₱20,063,723,871**	₱16,753,947,121
COST OF SALES (Note 20)	**14,006,905,663**	12,732,455,043
GROSS PROFIT	**6,056,818,208**	4,021,492,078
OPERATING EXPENSES (Note 21)	**(1,856,329,499)**	(1,739,143,764)
INCOME FROM OPERATIONS	**4,200,488,709**	2,282,348,314
OTHER INCOME (CHARGES)		
Dividend income (Note 8)	**1,200,000,000**	–
Finance costs (Note 22)	**(86,504,843)**	(177,807,016)
Finance income (Note 23)	**79,447,325**	30,021,064
Foreign exchange gains (losses) - net (Note 28)	**(26,011,453)**	235,800,814
Other income (Note 24)	**99,905,297**	101,135,388
	1,266,836,326	189,150,250
INCOME BEFORE INCOME TAX	**5,467,325,035**	2,471,498,564
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)		
Final	**11,093,763**	3,131,632
Deferred	**(27,521,825)**	(7,822,511)
	(16,428,062)	(4,690,879)
NET INCOME	**5,483,753,097**	2,476,189,443
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE INCOME	**₱5,483,753,097**	₱2,476,189,443

See accompanying Notes to Parent Company Financial Statements.

SEMIRARA MINING CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Common Stock (Note 16)	Additional Paid-in Capital	Deposits on Future Stock Subscription (Note 16)	Unappropriated Retained Earnings (Note 17)	Appropriated Retained Earnings (Note 17)	Total	Cost of Shares Held in Treasury (Note 16)	Grand Total
At January 1, 2011	**₱356,250,000**	**₱6,675,527,411**	**₱–**	**₱3,083,362,536**	**₱700,000,000**	**₱10,815,139,947**	**₱–**	**₱10,815,139,947**
Net income for the year	–	–	–	5,483,753,097	–	5,483,753,097	–	5,483,753,097
Other comprehensive income	–	–	–	–	–	–	–	–
Total	–	–	–	5,483,753,097	–	5,483,753,097	–	5,483,753,097
Cash dividends (Note 17)	–	–	–	(3,562,500,000)	–	(3,562,500,000)	–	(3,562,500,000)
At December 31, 2011	**₱356,250,000**	**₱6,675,527,411**	**₱–**	**₱5,004,615,633**	**₱700,000,000**	**₱12,736,393,044**	**₱–**	**₱12,736,393,044**
At January 1, 2010	₱296,875,000	₱1,576,796,271	₱5,402,125,985	₱2,388,423,093	₱700,000,000	₱10,364,220,349	(₱528,891,260)	₱9,835,329,089
Net income for the year	–	–	–	2,476,189,443	–	2,476,189,443	–	2,476,189,443
Other comprehensive income	–	–	–	–	–	–	–	–
Total	–	–	–	2,476,189,443	–	2,476,189,443	–	2,476,189,443
Reissuance of treasury shares	–	764,356,140	(1,293,247,400)	–	–	(528,891,260)	528,891,260	–
Additional issuance of stocks through stock rights offering	59,375,000	4,334,375,000	(4,108,878,585)	–	–	284,871,415	–	284,871,415
Cash dividends (Note 17)	–	–	–	(1,781,250,000)	–	(1,781,250,000)	–	(1,781,250,000)
At December 31, 2010	₱356,250,000	₱6,675,527,411	₱–	₱3,083,362,536	₱700,000,000	₱10,815,139,947	₱–	₱10,815,139,947

See accompanying Notes to Parent Company Financial Statements.

SEMIRARA MINING CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱5,467,325,035**	₱2,471,498,564
Adjustments for:		
Depreciation and amortization (Notes 9 and 11)	**2,115,457,519**	1,757,711,380
Dividend income (Note 8)	**(1,200,000,000)**	–
Finance costs (Note 22)	**86,504,843**	195,272,521
Finance income (Note 23)	**(79,447,325)**	(30,021,064)
Gain on sale of equipment (Note 24)	**(53,547,507)**	(6,088,124)
Net unrealized foreign exchange loss (gain)	**26,475,064**	(67,308,294)
Pension expense (Note 19)	**7,446,271**	7,532,422
Gain on sale of investments (Notes 8 and 24)	**–**	(77,086,632)
Operating income before changes in working capital	**6,370,213,900**	4,251,510,773
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	**(397,263,083)**	(518,380,455)
Inventories	**(1,273,942,519)**	264,358,461
Other current assets	**12,814,292**	(246,330,144)
Increase in trade and other payables	**70,964,565**	2,097,401,343
Net cash generated from operations	**4,782,787,155**	5,848,559,978
Interest received	**79,327,028**	27,912,873
Interest paid	**(88,335,085)**	(189,106,685)
Income taxes paid	**(11,093,763)**	(3,131,632)
Net cash flows provided by operating activities	**4,762,685,335**	5,684,234,534
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received (Note 8)	**1,200,000,000**	–
Proceeds from sale of equipment	**53,547,507**	50,247,785
Proceeds from sale of investments (Notes 8 and 24)	**–**	327,086,632
Additions to property, plant and equipment (Notes 9 and 31)	**(2,046,069,130)**	(2,991,216,628)
Additions to investments and advances (Note 8)	**(772,700,560)**	(840,048,520)
Acquisition of investment property (Note 10)	**(83,981,100)**	–
Contributions to the pension fund (Note 19)	**(28,464,526)**	–
(Increase) decrease in other noncurrent assets	**(24,582,613)**	48,402,167
Net cash flows used in investing activities	**(1,702,250,422)**	(3,405,528,564)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of debt	**4,520,041,521**	7,456,462,972
Repayment of debt	**(3,082,947,419)**	(5,892,511,439)
Payment of dividends (Note 17)	**(3,562,500,000)**	(1,781,250,000)
Additional issuance of capital stock (Note 16)	**–**	284,871,415
Net cash flows (used in) provided by financing activities	**(2,125,405,898)**	67,572,948
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**7,652,842**	(1,880,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**942,681,857**	2,344,398,918
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,809,335,762**	464,936,844
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱3,752,017,619**	₱2,809,335,762

See accompanying Notes to Parent Company Financial Statements.

SEMIRARA MINING CORPORATION
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Semirara Mining Corporation (the Parent Company) was incorporated on February 26, 1980. The Parent Company's registered and principal office address is at 2281 Don Chino Roces Avenue, Makati City, Philippines. The Parent Company is a majority-owned (56.32%) subsidiary of DMCI Holdings, Inc. (DMCI-HI), a publicly listed entity in the Philippines and its ultimate parent company.

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

The Parent Company has three (3) wholly-owned subsidiaries namely Sem-Calaca Power Corporation (SCPC), Southwest Luzon Power Generation Corporation (SLPGC) and SEM-Cal Industrial Park Developers, Inc. (SIPDI).

2. Summary of Significant Accounting Policies

Basis of Preparation
The parent company financial statements have been prepared using the historical cost basis. The financial statements are prepared in Philippine Peso, which is the Parent Company's functional currency.

Statement of Compliance
The accompanying Parent Company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The Parent Company also prepares and issues consolidated financial statements presented in compliance with PFRS which are available at the registered office address of the Parent Company.

Changes in Accounting Policies
The accounting policies adopted in the preparation of the parent company financial statements are consistent with those of the previous financial year except for the following new and amended Philippine Accounting Standards (PAS), PFRS and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) which were adopted as of January 1, 2011. The following new and amended standards and interpretations did not have any impact on the accounting policies, financial position and performance of the Parent Company:

New and Amended Standards and Interpretations

- PAS 24, *Related Party Disclosures* (Amendment)
- PAS 32, *Financial Instruments: Presentation* (Amendment) - *Classification of Rights Issues* (Amendment)
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (determining the fair value of award credits)
- Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement* (Amendment)
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

Improvements to PFRSs 2010

- PFRS 3, *Business Combinations*
- PFRS 7, *Financial Instruments - Disclosures*
- PAS 1, *Presentation of Financial Statements*
- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 34, *Interim Financial Statements*

New Standards Issued but not yet Effective

The accounting policies adopted in the preparation of the parent financial statements are consistent with those of the previous financial year except for the following new and amended Philippine Accounting Standards (PAS), PFRS and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) which were adopted as of January 1, 2011. The following new and amended standards and interpretations did not have any impact on the accounting policies, financial position and performance of the Parent Company:

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*

  The amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

- PAS 12, *Income Taxes - Recovery of Underlying Assets*

  The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property,* should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment,* always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.

- PAS 19, *Employee Benefits* (Amendment)

  Amendment to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The Parent Company is currently assessing the full impact of the said amendments in reporting actuarial gains or losses.

- PAS 27, *Separate Financial Statements (as revised in 2011)*
  As a consequence of the new PFRS 10, *Consolidated Financial Statements,* and PFRS 12, *Disclosure of Interests in Other Entities,* what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investment in Associates and Joint Ventures (as revised in 2011)*
  As a consequence of the new PFRS 11, *Joint Agreements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures,* and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 32, *Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities*
  These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems such as central clearing house systems which apply gross settlement mechanisms that are not simultaneous. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
  These amendments require an entity to disclose information about rights of set-off and related arrangements such as collateral agreements. The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statements of financial position;
  c) The net amounts presented in the statements of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013.

- PFRS 9, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*
  The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011.

- PFRS 9, *Financial Instruments: Classification and Measurement*
  PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Parent Company's financial assets, but will potentially have no impact on classification and measurement of financial liabilities. The Parent Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements,* which addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities.* PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Agreements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers.* PFRS 11 removes the option to account for Jointly Controlled Entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- Philippine Interpretation IFRIC 15, *Agreement for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of the production stripping costs as an asset and measurement of the stripping activity asset. This interpretation becomes effective for annual periods beginning on or after January 1, 2013. This interpretation may have an impact on both financial position and performance of the Parent Company.

<u>Financial Instruments</u>
Date of recognition
The Parent Company recognizes a financial asset or a financial liability in the parent company statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition and measurement of financial instruments
All financial instruments are initially recognized at fair value. Except for securities at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Parent Company classifies its financial assets in the following categories: securities at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. The Parent Company classifies its financial liabilities as financial liabilities at FVPL or as other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2011 and 2010, the Parent Company's financial instruments are in the nature of loans and receivables and other financial liabilities.

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

Determination of fair value
The fair value of financial instruments traded in active markets at the reporting date is based on its quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation methodologies. Valuation methodologies include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

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

Financial asset
Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial assets at FVPL. These are included in current assets if maturity is within twelve (12) months from the reporting date otherwise; these are classified as noncurrent assets. This accounting policy relates to the "Cash and cash equivalents", "Receivables" and security deposits included under "Other current assets" in the parent company statements of financial position.

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

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

Other financial liabilities include interest bearing loans and borrowings and trade and other payables. All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

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

Gains and losses are recognized under the "Other income" accounts in the parent company statements of comprehensive income when the liabilities are derecognized or impaired, as well as through the amortization process under the "Finance costs" account.

Impairment of Financial Assets

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

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

Loans and receivables

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

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

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

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

The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged under "Operating expenses" in the parent company statements 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.

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

<u>Derecognition of Financial Assets and Liabilities</u>
Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

When the Parent Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risk and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or canceled or has expired.

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

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

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

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

Exploration and Evaluation Costs
Once the legal right to explore has been acquired, exploration and evaluation expenditure is charges to parent company statements of comprehensive income as incurred. These costs include materials and fuels used, surveying costs, drilling costs and payments made to contractors.

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

Property, Plant and Equipment
Property, plant and equipment are carried at cost less accumulated depreciation and any impairment in value.

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

Property, plant and equipment that were previously stated at fair values are reported at their deemed cost.

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

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

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

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

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

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the parent company statements of comprehensive income in the year the item is derecognized.

Other Intangible Assets
Other intangible assets include computer software.

Intangible assets acquired separately are measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. The cost of intangible assets acquired in a business combination is measured initially at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization on a straight line basis over their useful lives of two (2) years and any accumulated impairment losses.

Internally generated intangible assets are not capitalized and expenditure is reflected in the parent company statements of comprehensive income in the year in which the expenditure is incurred.

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 parent company statements of comprehensive income when the asset is derecognized.

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

Land is initially measured at fair value. Subsequent to initial recognition, land is stated at cost less any impairment in value.

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

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

Investments and Advances

This account includes investments and advances for future stock subscription in a subsidiary.

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

A subsidiary is an entity in which the Parent Company, directly or indirectly, holds more than half of the voting power, or exercises control over the operation and management of the subsidiary. The Parent Company recognizes income from the investment when its right to receive the dividend is established.

Impairment of Nonfinancial Assets

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

Investment property, Property, plant and equipment and Software cost

An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the parent company statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

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

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

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

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

<u>Related Party Relationships and Transactions</u>
Related party relationship exist when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors, or its shareholders. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. 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.

Under the terms of arrangements with customers, local sales are billed 80% upon delivery and 20% upon release of coal quality test. Export sales are billed 100% after release of coal quality test. All quality test results are agreed by both the Parent Company and customers.

Rendering of services
Service fees from coal handling activities are recognized as revenue when the related services have been rendered.

Dividend income
Revenue is recognized when the Parent Company's right to receive the payment is established.

Other income
Other income is derived from selling excess electricity produced by the Parent Company to the neighboring communities and recoveries from insurance claims. Other income derived from the supply of electricity is recognized based on the actual delivery of electricity, net of adjustments, as agreed upon between the parties.

Finance income
Interest income is recognized as interest 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 asset).

Costs and Expenses
Costs and expenses are expenses that arise in the course of the ordinary operations of the Parent Company. These usually take the form of an outflow or depletion of assets such as cash and cash equivalents, supplies, and office furniture and equipment. Cost and expenses are recognized when the service is used or the expenses arise while interest expense is accrued in the appropriate period.

Pension Expense
The Parent Company has a noncontributory defined benefit retirement plan.

The retirement cost of the Parent Company is determined using the projected unit credit (PUC) method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period. The liability recognized in the parent company statements of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs that shall be recognized in later periods.

The defined benefit obligation is calculated annually by an independent actuary using the PUC method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using prevailing interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceeded 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. These excess gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past-service costs, if any, are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The retirement benefits of officers and employees are determined and provided for by the Parent Company and are charged against current operations.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognized, if any, and less the fair value of the plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service costs not yet recognized, if any, and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Income Tax

Current Tax

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

Deferred tax

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

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

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

The carrying amounts of deferred tax assets are 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 reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Provisions

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

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

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the parent company 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 parent company statements of comprehensive income.

Leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Fixed lease payments for noncancellable lease are recognized on a straight line basis over the lease term.

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

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

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

Operating lease payments are recognized in the cost of sales under "Outside Services" on a straight line basis over the lease term.

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

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

Retained earnings represent accumulated earnings (losses) of the Parent Company less dividends declared, if any. Dividends on common stocks are recognized as a liability and deducted from equity when declared. Dividends for the year that are approved after the 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.

Deposits on future stocks subscriptions represent funds received from stockholders intended for conversion to fixed number of shares. When obligations are payable in fixed number of shares at a determined fixed price these are classified as equity, otherwise, these are classified as liabilities.

Treasury Shares
The Parent Company's own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the parent company statements of comprehensive income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized as additional paid-in capital.

Operating Segments
The Parent Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 32.

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

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

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

b. *Distinction between investment properties and owner occupied properties*
The Parent Company determines whether a property qualifies as an investment property. In making its judgment, the Parent Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Parent Company considers each property separately in making its judgment.

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

d. *Contingencies*
The Parent Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external legal counsel handling the Parent Company's defense in these matters and is based upon an analysis of potential results. The Parent Company currently believes that these proceedings will not have a material adverse affect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 27).

Estimates and Assumptions

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

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

The Parent Company's sales arrangement with its customers includes reductions of invoice price to take into consideration charges for penalties and bonuses. These price adjustments depend on the estimated quality of the delivered coal. These estimates are based on final coal quality analysis on delivered coal using American Standards for Testing Materials.

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

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

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

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

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

The amount of coal inventory is disclosed in Note 6.

d. *Estimating allowance for write-down in spare parts and supplies*
The Parent Company estimates its allowance for inventory write-down in spare parts and supplies based on periodic specific identification. The Parent Company provides 100% allowance for write down on items that are specifically identified as obsolete.

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

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

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

activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. An increase in decommissioning and site rehabilitation costs would increase the recorded finance costs and noncurrent liabilities. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.

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

f. *Estimating useful lives of property, plant and equipment and software cost*
The Parent Company estimated the useful lives of its property, plant and equipment and software cost based on the period over which the assets are expected to be available for use. The Parent Company reviews annually the EUL of property, plant and equipment and software cost based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

The useful lives of property, plant and equipment and software cost are disclosed in Note 2.

g. *Estimating impairment for nonfinancial assets*
The Parent Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include the following:

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

As described in the accounting policy, the Parent Company estimates the recoverable amount as the higher of the net selling price and value in use.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Parent Company is required to make estimates and assumptions that can materially affect the financial statements. The nonfinancial assets of the Parent Company include property, plant and equipment, investment property, investments and advances, and software cost.

The net book values of the investment and advances, property, plant and equipment, investment property and software cost is disclosed in Notes 8, 9, 10 and 11, respectively.

h. *Assessing recoverability of deferred tax assets*
The Parent Company reviews the carrying amounts of deferred tax assets at each reporting date. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Parent Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ

significantly from estimates, the ability of the Parent Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

In 2011 and 2010, the Parent Company has various deductible temporary differences from which no deferred tax assets have been recognized as they do not foresee taxable earnings due to their Income Tax Holiday (ITH) (see Note 25).

i. Estimating pension and other employee benefits
The determination of the obligation and cost of retirement and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates and price for the retirement of pension. Actual results that differ from the Parent Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Parent Company believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

The balances of the Parent Company's present value of defined benefit obligation and unrecognized actuarial losses are disclosed in Note 19.

The Parent Company also estimates other employee benefits obligation and expense, including cost of paid leaves based on historical leave availments of employees, subject to the Parent Company's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

The accrued balance of unpaid vacation and sick leaves as of December 31, 2011 and 2010 amounted to ₱8.56 million and ₱5.85 million, respectively (see Note 12).

j. Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the parent company statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. See Note 28 for the related balances.

4. Cash and Cash Equivalents

	2011	2010
Cash in banks and on hand	**₱614,036,983**	₱1,592,697,270
Cash equivalents	**3,137,980,636**	1,216,638,492
	₱3,752,017,619	₱2,809,335,762

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents include short-term placements made for varying periods of up to three months depending on the immediate cash requirements of the Parent Company, and earn interest ranging from 1.80% to 3.70% and 2.00% to 4.50% in 2011 and 2010, respectively.

In 2011 and 2010, total interest income earned on cash and cash equivalents amounted to ₱79.28 million and ₱17.04 million, respectively (see Note 23).

5. Receivables

	2011	2010
Trade (Notes 28 and 29):		
Local sales	**₱1,284,512,441**	₱757,221,337
Export sales	**108,413,708**	582,130,762
Due from related parties (Notes 18, 28 and 29)	**508,598,367**	169,332,641
Advances to related parties (Notes 18, 28 and 29)	**20,220**	–
Others (Notes 28 and 29)	**28,776,544**	26,741,970
	1,930,321,280	1,535,426,710
Less allowance for doubtful accounts	**15,367,488**	18,255,318
	₱1,914,953,792	₱1,517,171,392

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

- Local sales - coal sold to domestic market which is priced in Philippine Peso.
- Export sales - coal sold to international market which is priced in US Dollar.
- Related parties - transactions entered by the Parent Company with related parties at arm's length and have similar terms to the transactions entered into with third parties.

Advances to related parties are noninterest-bearing and with maturity of up to 1 year.

Others include advances to officers and employees with maturity of up to 1 year.

As of December 31, 2011 and 2010, trade and other receivables with a nominal value of ₱15.37 million and ₱18.26 million were impaired and provided for with allowance. Movements in the allowance for doubtful accounts of receivables were as follows:

	2011		
	Trade - Local Sales	**Other Receivables**	**Total**
At January 1, 2011	**₱7,892,343**	**₱10,362,975**	**₱18,255,318**
Additional provision (Note 21)	**–**	**5,004,513**	**5,004,513**
Reversals (Note 24)	**(7,892,343)**	**–**	**(7,892,343)**
At December 31, 2011	**₱–**	**₱15,367,488**	**₱15,367,488**
Individual impairment	**₱–**	**₱15,367,488**	**₱15,367,488**

	2010		
	Trade - Local Sales	Other Receivables	Total
At January 1, 2010	₱13,569,447	₱10,142,110	₱23,711,557
Additional provision (Note 21)	–	220,865	220,865
Reversals (Note 24)	(5,677,104)	–	(5,677,104)
At December 31, 2010	₱7,892,343	₱10,362,975	₱18,255,318
Individual impairment	₱7,892,343	₱10,362,975	₱18,255,318

6. Inventories

	2011	2010
Coal inventory at cost	**₱2,000,216,380**	₱814,276,509
Spare parts and supplies at NRV	**1,001,993,127**	894,800,463
	₱3,002,209,507	₱1,709,076,972

Spare parts and supplies with original cost of nil and ₱948.09 million as of December 31, 2011 and 2010 were provided with allowance for inventory obsolescence amounting to ₱53.29 million.

In 2011 and 2010, the cost of coal inventories recognized as expense in the parent company statements of comprehensive income amounted to ₱13,147.01 million and ₱12,135.69 million, respectively (see Note 20).

7. Other Current Assets

	2011	2010
Advances to suppliers	**₱523,696,661**	₱312,134,305
Creditable withholding tax	**334,902,480**	255,359,159
Prepaid insurance and others	**11,731,213**	11,130,274
Security deposits	**–**	304,400,611
	₱870,330,354	₱883,024,349

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

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

Security deposits
Security deposits represent payments to and held by the lessor as security for the faithful and timely performance by the Parent Company of all its obligations and compliance with all provisions of the Equipment Rental Agreement (ERA). These deposits shall be returned by the lessor to the Parent Company after deducting any unpaid rental and/or any other amounts due to the lessor for any damage or expense incurred to put the vehicle in good working condition (see Note 30).

As of December 31, 2011, the said security deposits have been refunded by the Parent Company.

There were no additional security deposits during the year. Movement in the unamortized discount of security deposits follows:

	2011	2010
At January 1	**₱168,856**	₱12,956,371
Additions	**–**	–
Accretion (Note 23)	**(168,856)**	(12,787,515)
At December 31	**₱–**	₱168,856

8. Investments and Advances

	Ownership	2011	2010
SCPC	100%	**₱8,000,000,000**	₱1,250,000
SLPGC	100%	**750,000,000**	–
SIPDI	100%	**2,500,000**	–
		8,752,500,000	1,250,000
Deposits on future stocks subscription			
SCPC		–	7,998,750,000
SLPGC		**20,200,560**	–
		20,200,560	7,998,750,000
		₱8,772,700,560	₱8,000,000,000

SCPC

On July 8, 2009, Power Sector Assets and Liabilities Management Corporation (PSALM) selected DMCI-HI as the winning bidder for the sale of the 2X300 megawatt (MW) Batangas Coal-Fired Power Plant (the Power Plant) located in San Rafael, Calaca, Batangas.

The acquisition of the Power Plant is both a defensive and an opportunistic investment for the Parent Company. It is a defensive investment because the acquisition of the Power Plant will protect the Parent Company's coal supply contract with the Power Plant. The investment is opportunistic because as a stand-alone investment, it is expected to provide a fair return on investment.

On December 1, 2009, the Parent Company was authorized by the Board of Directors (BOD) to advance an amount of ₱7,158.70 million for the purchase of the Power Plant of PSALM through its wholly owned subsidiary in order to meet SCPC's financial obligation under Asset Purchase Agreement (APA) and Land Lease Agreement. As of December 31, 2010, additional advances made by the Parent Company amounted to ₱840.05 million. On March 7, 2011, the said advances were converted by the Parent Company into SCPC's common shares of 7,998.75 million.

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

On April 20, 2011, SCPC declared cash dividend of ₱0.15 per share to stockholders of record as of that date to which the Parent Company received dividend income of ₱1,200.00 million on April 26, 2011.

SLPGC

On June 21, 2011, the BOD authorized to invest in a 4X150-MW circulating fluidized bed power plant in Calaca, Batangas, through the incorporation of a wholly-owned subsidiary. On August 31, 2011, the Parent Company incorporated said wholly-owned subsidiary under the name of "Southwest Luzon Power Generation Corporation".

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

SLPGC has an authorized capital stock of ₱10,000.00 million divided into 10,000.00 million shares with a par value of ₱1.00 per share. As of December 31, 2011, ₱3,000.00 million of the authorized capital stock has been subscribed and ₱750.00 million has been paid for by the Parent Company. The Parent Company has paid the remaining ₱2,250.00 million of the subscribed shares on January 5, 2012.

On August 26, 2011, upon incorporation of SLPGC, the Parent Company paid for the organizational costs amounting to ₱20.20 million. This was accounted as additional investment by the Parent Company to SLPGC. As of December 31, 2011, this was recorded as deposits on future stocks subscription and will be transferred to investment in stocks upon issuance of shares.

As of December 31, 2011, SLPGC has not yet started its actual commercial operation.

SIPDI
On March 7, 2011, the BOD approves the recommendation to engage in or be duly authorized to operate, maintain and develop a special economic zone in Balayan and Calaca, Batangas.

On April 24, 2011, the Parent Company incorporated a new wholly-owned subsidiary under the name of "Sem-Cal Industrial Park Developers, Inc". The primary purpose of which is to acquire, develop, construct, invest in, operate and maintain an economic zone capable of providing infrastructures and other support facilities for export manufacturing enterprises, information technology enterprises, tourism economic zone enterprises, medical tourism economic zone enterprises, retirement economic zone enterprises and/or agro-industrial enterprises, inclusive of the required facilities and utilities, such as light and power system, water supply and distribution system, sewerage and drainage system, pollution control devices, communication facilities, paved road network, and administration building as well as amenities required by professionals and workers involved in such enterprises, in accordance with Republic Act (R.A.) No. 7916, as amended by R.A. No. 8748, otherwise known as the Special Economic Zone Act of 1995.

SIPDI has authorized capital stock of ₱10.00 million and is divided into 10.00 million shares with a par value of ₱1.00 per share, to which the Parent Company has subscribed and paid ₱2.50 million of said capital stock.

As of December 31, 2011, SIPDI has not yet started its actual commercial operation.

Disposal of Investment in DMCI Power Corporation (DMCI-PC) and DMCI Mining Corporation (DMCI-MC)
On December 8, 2010, a Deed of Assignment was made and executed between the Parent Company and DMCI-HI, the former being the "Assignor" and the latter being the "Assignee". The Parent Company offered to assign, transfer and convey all of its rights, ownership and interest over its shares in DMCI-PC and DMCI-MC. The said transaction resulted to gain in disposal of investment in the amount of nil and ₱77.09 million as of December 31, 2011 and 2010 presented under "Other income" account in the parent company statements of comprehensive income (see Note 24).

9. Property, Plant and Equipment

	2011				
	Mining Equipment	**Power Plant and Buildings**	**Roads and Bridges**	**Equipment in Transit and Construction in Progress**	**Total**
At Cost					
At January 1	**₱13,347,041,037**	**₱1,599,442,466**	**₱279,062,950**	**₱730,882,156**	**₱15,956,428,609**
Additions	**1,182,123,016**	**36,042,076**	**636,237**	**827,267,801**	**2,046,069,130**
Transfers	**814,585,385**	**42,697,153**	**85,984,317**	**(943,266,855)**	**–**
Disposals	**(699,602,807)**	**–**	**–**	**–**	**(699,602,807)**
At December 31	**14,644,146,631**	**1,678,181,695**	**365,683,504**	**614,883,102**	**17,302,894,932**
Accumulated Depreciation					
At January 1	**10,677,504,484**	**1,297,700,209**	**279,062,950**	**–**	**12,254,267,643**
Depreciation (Note 20)	**1,982,943,275**	**123,870,060**	**3,318,829**	**–**	**2,110,132,164**
Disposals	**(699,602,807)**	**–**	**–**	**–**	**(699,602,807)**
At December 31	**11,960,844,952**	**1,421,570,269**	**282,381,779**	**–**	**13,664,797,000**
Net Book Value	**₱2,683,301,679**	**₱256,611,426**	**₱83,301,725**	**₱614,883,102**	**₱3,638,097,932**

	2010				
	Mining Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	Total
At Cost					
At January 1	₱10,304,160,841	₱1,572,656,677	₱279,062,950	₱562,119,615	₱12,718,000,083
Additions	2,576,426,084	6,371,816	–	708,798,651	3,291,596,551
Transfers	517,872,050	20,413,973	–	(538,286,023)	–
Disposals	(51,417,938)	–	–	(1,750,087)	(53,168,025)
At December 31	13,347,041,037	1,599,442,466	279,062,950	730,882,156	15,956,428,609
Accumulated Depreciation					
At January 1	9,069,835,179	1,160,827,308	279,062,950	–	10,509,725,437
Depreciation (Note 20)	1,616,677,669	136,872,901	–	–	1,753,550,570
Disposals	(9,008,364)	–	–	–	(9,008,364)
At December 31	10,677,504,484	1,297,700,209	279,062,950	–	12,254,267,643
Net Book Value	₱2,669,536,553	₱301,742,257	₱–	₱730,882,156	₱3,702,160,966

Equipment in transit and construction in progress accounts mostly pertain to purchased mining equipments that are in transit and various buildings and structures that are under construction as of December 31, 2011 and 2010. These are qualifying assets, as such, no borrowing cost was capitalized in 2011 and 2010.

Depreciation and amortization included in the parent company statements of comprehensive income follow:

	2011	2010
Included under:		
Cost of sales (Note 20):		
Depreciation and amortization	**₱1,792,534,859**	₱1,661,071,375
Hauling and shiploading costs	**302,255,715**	82,713,439
Operating expenses (Note 21):		
Transportation and travel	**20,666,945**	13,926,566
	₱2,115,457,519	₱1,757,711,380

Depreciation and amortization of:		
Property, plant and equipment	**₱2,110,132,164**	₱1,753,550,570
Software costs (Note 11)	**5,325,355**	4,160,810
	₱2,115,457,519	₱1,757,711,380

10. Investment Property

On May 5, 2011, the PSALM granted SCPC's request to assign the option to buy the 82,740 square meter lot covered by Transfer Certificate of Title (TCT) No. 115804 located in San Rafael, Calaca, Batangas to the Parent Company.

On June 1, 2011, the Parent Company exercised its option to purchase the option asset and subsequently entered into a Deed of Absolute Sale with PSALM for a total consideration of ₱82.74 million. A related documentary stamp tax was paid by the Parent Company amounting to ₱1.24 million. The selling price of ₱1,000.00 per square meter is based on the market value stated in the real property tax declaration of the land effective for year 2011. While the fair value of the investment property was not determined as of December 31, 2011, the Parent Company's management believes that there were no conditions present from the date of purchase that would significantly change or reduce the fair value of investment property.

On February 22, 2012, the Parent Company and SLPGC executed a deed of assignment for the said land in exchange of common shares of the latter. The current zonal value of the land is ₱1,025.00 per square meter or a total of ₱84.81 million based on the zonal values of properties in Batangas. SLPGC has issued 84.81 million common shares at a par value of ₱1.00 per share or a total of ₱84.81 million in exchange of this land subject to terms and conditions as follow:

- that the SEC filing fee and documentary stamp tax due on the issuance of shares of stocks and other related expenses shall be for the account of the Parent Company;
- that any and all expenses which may be incurred in connection with the transfer of TCT covering the land shall be for the sole account of the Parent Company;
- that any and all expenses, taxes and costs which may be incurred in the filing with the BIR confirming the transfer of land in favor of SLPGC in exchange of shares of stocks shall be for the account of the Parent Company; and
- that upon execution of the deed of assignment, SLPGC shall have the right to create any security interest on the land in order to secure any loan which SLPGC may obtain from certain banks or other financing institutions.

11. Other Noncurrent Assets

	2011	2010
5% input VAT withheld - net	**₱150,127,447**	₱150,127,447
Software cost - net	**5,732,959**	6,345,855
Others	**2,589,700**	1,909,562
	₱158,450,106	₱158,382,864

5% input VAT withheld
As a result of the enactment of Republic Act (R.A.) No. 9337 effective November 1, 2005, NPC started withholding the required 5% input VAT on the VAT-exempt coal sales of the Parent Company. On March 7, 2007, the Parent Company obtained a ruling from the Bureau of Internal Revenue (BIR) which stated that the sale of coal remains exempt from VAT. In 2007, the Parent Company filed a total claim for refund of ₱190.50 million from the BIR representing VAT erroneously withheld by NPC from December 2005 to March 2007, which eventually was elevated to the Court of Tax Appeals (CTA). On October 13, 2009, CTA granted the Parent Company's petition for a refund on erroneously withheld VAT on December 2005 sales amounting to ₱11.85 million. The BIR moved for reconsideration. After the Parent Company

filed its comment on November 21, 2009, the CTA on August 10, 2010, issued a writ of execution on its decision dated October 13, 2009.

During the year, the CTA rendered a Decision granting the Parent Company's petition for refund or issuance of tax credit certificate (TCC) in the total amount of ₱178.65 million. The BIR filed a motion for reconsideration which was denied in a Resolution executed by the CTA. Its motion for reconsideration having been denied, the BIR filed for a Petition for Review with the CTA *En Banc* on the following grounds:

- that the Parent Company failed to substantiate its claim for refund;
- that the sale or importation of coal is no longer exempted from VAT under the Tax Code, as amended by R.A. No. 9337; and
- that the BIR Ruling No. 006-2007 dated March 7, 2007 does not prevent the Government from collecting VAT on the sale of coal by the Parent Company.

The Petition for review remains pending to date. Management has estimated that the refund will be recovered after three (3) to five (5) years.

Consequently, on December 31, 2009, the claim for tax refund was provided with provision for probable loss amounting to ₱40.37 million.

Software cost
Movements in the software cost account follow:

	2011	2010
At Cost		
At January 1	**₱19,083,210**	₱16,112,568
Additions	**4,712,460**	2,970,643
At December 31	**23,795,670**	19,083,211
Accumulated Amortization		
At January 1	**12,737,356**	8,576,546
Amortization (Note 9)	**5,325,355**	4,160,810
At December 31	**18,062,711**	12,737,356
Net Book Value	**₱5,732,959**	₱6,345,855

Others
Others include environmental guarantee fund and various types of deposit and deferred charges which are recoverable over more than one year.

The environmental guarantee fund amounting to ₱1.50 million represents the funds designated to cover all costs attendant to the operation of the multi-partite monitoring team of the Parent Company's environmental unit.

12. Trade and Other Payables

	2011	2010
Trade:		
Payable to suppliers and contractors (Notes 28 and 29)	**₱3,583,724,410**	₱3,117,416,772
Due to related parties (Notes 18, 28 and 29)	**110,970,285**	106,974,604
Payable to Department of Energy (DOE) and local government units (LGU) (Note 26)	**905,008,728**	1,013,039,943
Accrued expenses and others (Notes 28 and 29)	**93,510,557**	419,207,311
	₱4,693,213,980	₱4,656,638,630

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

- Trade payables to suppliers and contractors include liabilities amounting to ₱468.08 million (US$10.68 million) and ₱97.58 million (US$2.11 million) as of December 31, 2011 and 2010, respectively, to various foreign suppliers for open account purchases of equipments and equipment parts and supplies.
- Due to related parties pertains to transactions entered by the Parent Company with related parties at arm's length and have similar terms to the transactions entered with third parties.

Payable to DOE and LGU represent the share in of DOE and LGU in the gross revenue of the Parent Company's coal production (including accrued interest on the outstanding balance) computed in accordance with the coal operating contract between the Parent Company, DOE and LGU dated July 11, 1977 and as amended on January 16, 1981 (see Note 26).

Details of the accrued expenses and other payables account follow:

	2011	2010
Withholding and other taxes	**₱33,057,728**	₱58,777,145
Real property tax	**18,828,610**	18,828,610
Rental	**15,264,799**	15,264,799
Salaries and wages	**10,785,543**	41,195,077
Interest	**9,366,159**	12,258,779
Professional fees	**6,000,000**	6,000,000
Probable legal claims (Note 27)	–	215,803,423
Coal hauling	–	13,034,083
Others	**207,718**	38,045,395
	₱93,510,557	₱419,207,311

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

13. Short-term Loans

Short-term loans represent various acceptances and trust receipts which are used to facilitate payment for importations of materials, fixed assets and other assets. As of December 31, 2011 and 2010, acceptances and trust receipts amounted to ₱623.46 million and ₱449.85 million, respectively.

14. **Long-term Debt**

	2011	2010
Bank loans	₱4,096,238,117	₱2,022,817,439
Deferred purchase payment	–	774,743,549
	4,096,238,117	2,797,560,988
Less current portion of:		
Bank loans	1,461,965,924	–
	₱2,634,272,193	₱2,797,560,988

Bank Loans

Details of the bank loans follow:

Loan Type	Date of Availment	Outstanding Balance 2011 (In Millions)	2010	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
Local bank loans							
Loan 1	October 2010	₱140.29	₱701.44	Various maturities in 2012 & 2013	1.16% payable in arrears, to be repriced every 90 days	Interest payable in 90 days; not deducted from proceeds of loans and principal repayable in maturity.	Any monies standing to the credit of the borrower's other account with the bank and any securities, deeds, boxes and parcels and their contents and property of any description held in borrower's name
Loan 2	Various availments in 2010 & 2011	1,313.59	639.06	Various maturities in 2012 & 2013	1.14% - 1.18% p.a. payable semi-annually in arrears, to be repriced every 6 months	Interest payable semi-annually in arrears, with interest rates inclusive of 10% withholding tax. Payment of interest shall commence on the 6th month and every six months thereafter until fully paid at the prevailing rate.	Unsecured loans
Loan 3	Various availments in 2010 & 2011	688.45	442.08	October 2012	1.09% - 1.80% p.a. for 92 days, to be repriced every 30 to 180 days	Interest shall be payable on the last day of the current interest period or the 90th day of said period whichever occurs earlier and full payment of principal at maturity.	Unsecured loans
Loan 4	Various availments in 2010 & 2011	1,028.25	240.24	October 26, 2012 & various maturities in 2013	1.01% - 1.82% to be repriced over the 90 to 180 days	Interest payable in 90 days; not deducted from proceeds of loans and principal repayable in maturity.	Unsecured loans
Loan 5	August 2011	925.66	–	August 2013	1.03% - 1.10% p.a. for the first 90 days. Thereafter, interest will be re-priced on a monthly/ quarterly/semi-annual or annual basis.	Interest payable in 90 - 180 days and principal repayable in maturity.	Proceeds of the loan were restricted for equipment fund and working capital; Financial Covenants: Current Ratio not less than 1:1, Debt-Equity Ratio not exceeding 2:1, Debt-EBITDA Ratio not exceeding 3:1, compliant
		₱4,096.24	₱2,022.82				

Deferred purchase payment

On November 16, 2009, the Parent Company entered into a Deferred Payment Sale and Purchase Agreement with Marubeni Corporation (MC) for the purchase of various equipment intended for enhancing its mining activities.

The amounts corresponding to the units or pieces of equipment that are shipped to the Parent Company shall be paid to MC within seven hundred twenty (720) days after the date of the bill of lading for the relevant shipment of such units or pieces of equipment. The interest rate applicable to each interest period shall be four percent (4.00%) per annum over the rate 180 days BBA LIBOR on two (2) business days prior to the first day of such interest period.

Notwithstanding the provisions for payment of the contract amount as stipulated, the Parent Company may, with not less than fourteen (14) business days written notice to MC, prior to the next interest payment date, prepay the whole or any part of the respective contract amount on that interest payment date.

During the first quarter of 2011, deferred purchase payment with MC has been fully settled.

15. Provision for Decommissioning and Site Rehabilitation

	2011	2010
At January 1	**₱11,883,508**	₱14,773,138
Additions	**31,091,791**	–
Accretion of interest (Note 22)	**919,180**	774,354
Adjustment	–	(3,663,984)
At December 31	**₱43,894,479**	₱11,883,508

On May 13, 2008, the DOE granted the Parent Company's request for an extension of its Coal Operating Contract (COC) for another 15-year or until July 14, 2027. Due to the term extension, the Parent Company has changed the discount rates used in the calculation of the net present value of the provision from 4.16% to 5.53% in 2009 to 2.50% to 7.49% in 2010.

Also, on November 12, 2009, the COC was amended further, expanding its contract area to include portions of Caluya and Sibay islands, covering an additional area of 5,500 hectares and 300 hectares, respectively. Due to these change, the Parent Company has provided additional provision for decommissioning and site rehabilitation in the amount of ₱80.00 million, with a carrying value of ₱31.09 million as of December 31, 2011.

In accordance with the provisions of IFRIC 1, the additions and adjustments were included in the parent company statements of financial position for the years 2011 and 2010.

16. Capital Stock

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

On November 28, 1983, the SEC approved the issuance and public offering of 55.00 billion common shares of the Parent Company at an offer price of ₱0.01 per share. Additional public offering was also approved by SEC on February 4, 2005 for 46.87 million common shares at an offer price of ₱36.00 per share.

As of December 31, 2011, the Parent Company has 356.25 million common shares issued and outstanding which were owned by 639 shareholders.

Stock Rights Offering
On June 10, 2010, the Parent Company offered for subscription 59,375,000 Rights Shares to eligible existing common shareholders at the Offer Price of ₱74.00 per share. The Rights Shares was issued from the Parent Company's authorized but unissued capital stock. Each eligible stockholder was entitled to subscribe to one Rights Share for every five Common Shares held as of the Record Date at an Offer Price of ₱74.00 per Rights Share. Net proceeds from the stock rights offering amounted to about ₱4,393.75 million. The amount representing excess of offer price over the par value of the share offering amounting to about ₱4,334.38 million was credited to additional paid-in capital for the year ended December 31, 2010.

Deposits on Future Stock Subscriptions
On December 1, 2009, DMCI-HI and Dacon Corporation (Dacon) advanced an amount for future stock subscription which aggregated to ₱5,402.13 million. These advances were used in the reissuance of treasury shares on April 8, 2010 and stock rights offering on June 10, 2010.

Shares Held in Treasury
On July 7, 2005, the BOD approved the buyback of Parent Company shares aggregating 40.00 million shares which begun on August 15, 2005 until December 31, 2005. On January 11, 2006, the BOD approved to extend its buyback program for a period of 60 days starting January 12, 2006 under the same terms and conditions as resolved by the BOD last July 7, 2005, provided that the total number of shares to be reacquired shall in no case exceed 15.00 million shares.

The number of shares held in treasury is 19,302,200 amounting to ₱528.89 million as of December 31, 2009 and 2008. On April 8, 2010, the Parent Company reissued all of its treasury shares to Dacon at ₱67.00 per share or a total of ₱1,293.25 million. The excess of the proceeds over the total cost of the treasury is included under additional paid-in capital in the amount of ₱764.36 million.

17. Retained Earnings

Cash Dividends
On April 27, 2011, the BOD authorized the Parent Company to declare and distribute cash dividends of ₱10.00 per share or ₱3,562.50 million to stockholders of record as of May 27, 2011. The said cash dividends were paid on June 22, 2011.

On April 27, 2010, the BOD authorized the Parent Company to declare and distribute cash dividends of ₱6.00 per share or ₱1,781.25 million to stockholders of record as of May 27, 2010. The said cash dividends were paid on June 23, 2010.

Restrictions
On April 4, 2005, the BOD authorized the restriction in the amount of ₱1,000.00 million out of the Parent Company's retained earnings for future capital expenditures and investment diversification program of the Parent Company.

On March 18, 2008, the BOD authorized an additional ₱500.00 million appropriation for capital expenditures and expansion and likewise, on November 11, 2008, the BOD approved the reversal of the appropriated retained earnings in the amount ₱800.00 million. The remaining ₱700.00 million shall continue to be appropriated for capacity expansion and additional investment.

In accordance with SEC Memorandum Circular No. 11 issued on December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2011 amounted to ₱5,357.32 million.

18. Related Party Transactions

Related parties are considered to be related if 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. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Affiliates are entities that are owned and controlled by DMCI-HI. These affiliates are effectively sister companies of the Parent Company. Transactions entered into by the Parent Company with related parties are at arm's length and have terms similar to the transactions entered into with third parties. In the regular course of business, the Parent Company's significant transactions with related parties include the following:

a. Continuing Indemnity Agreement dated September 3, 1998 with DMCI-HI, the ultimate parent company, and certain related parties whereby the Parent Company, in consideration for guarantees extended by DMCI-HI and related parties in the form of Real Estate Mortgage (REM), standby letters of credit and other credit lines or facilities to secure the Parent Company's indebtedness to various banks and creditors, agreed to indemnify and hold DMCI-HI and related parties free from and against any and all claims, liabilities, demands, actions, costs, expenses and consequences of whatever nature which may arise or result from said corporate guarantees. The Parent Company further agreed to pay a fixed interest rate per annum on all sums or monies paid by DMCI-HI and related parties by reason of or in connection with the said corporate guarantees, letters of credit, credit facilities or REM; real properties of this affiliate were already freed from lien effective at the time when these old equipment loan were fully paid. The loans contracted in 2005 and 2006 were guaranteed by DMCI-HI to which the Parent Company incurred guarantee fees amounted to nil and ₱0.30 million in 2011 and 2010, respectively. These are included under "Finance costs" in the parent company statements of comprehensive income (see Note 22).

b. SCPC, a subsidiary, has entered into purchase commitment with the Parent Company for the supply of coal. The contract agreement provides that the Parent Company shall supply SCPC the minimum volume of 1.11 million MT +/- 10% up to the maximum quantity of 2.10 million MT. The contract will end in June 30, 2012. The Parent Company's total coal sales to SCPC amounted to ₱3,861.84 million and ₱2,373.80 million in 2011 and 2010, respectively.

   The Parent Company had also transactions with SCPC involving issuances of various supplies, materials, fuel and diesoline. The related expenses for the issuance of materials and supplies amounted ₱245.85 million and ₱39.28 million in 2011 and 2010, respectively, while expenses for the issuances of fuel and diesoline amounted to ₱18.79 million and nil in 2011 and 2010, respectively.

On May 20, 2010, SCPC entered into a ₱9,600.00 million Omnibus Loan Security Agreement ("Omnibus Agreement") with Banco de Oro Unibank, Inc. (BDO), Bank of the Philippine Islands (BPI), and Philippine National Banks as Lenders. As security for the timely payment of the loan and prompt observance of all the provisions of the Omnibus Agreement, the 67% of issued and outstanding shares of SCPC owned by the Parent Company were pledged on this loan.

c. The Parent Company paid for the organizational costs of ₱20.20 million for its new wholly-owned subsidiary, SLPGC, which was incorporated on August 31, 2011. This is accounted as additional investments by the Parent Company to SLPGC and is recorded under "Investments and advances" in the parent company statements of financial position (see Note 8).

On February 4, 2012, SLPGC entered into a ₱11,500.00 million Omnibus Agreement with BDO, BPI, and China Banking Corporation as Lenders. As security for the timely payment of the loan and prompt observance of all the provision of the Omnibus Agreement, the 67% of issued and outstanding shares of SLPGC owned by the Parent Company were pledged on this loan.

d. SIPDI, a new-wholly owned subsidiary which was incorporated on April 27, 2011, has advanced the amount of ₱0.02 million to the Parent Company for the payment of its organizational costs. The amount is included in Receivables under "Advances to related parties" in the parent company statements of financial position (see Note 5).

e. DMC-Construction Equipment Resources, Inc. (DMC-CERI), an affiliate, had transactions with the Parent Company for services rendered relating to the Parent Company's coal operations. These included 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 amounted to ₱52.90 million and ₱59.17 million in 2011 and 2010, respectively. These are included in Cost of sales under "Outside services" in the parent company statements of comprehensive income (see Note 20).

DMC-CERI also provides to the Parent Company marine vessels for use in the delivery of coal to its various customers. The coal freight billing is on a per metric ton basis plus demurrage charges when delay will be incurred in the loading and unloading of coal cargoes. Expenses incurred for these services amounted to ₱498.42 million and ₱507.86 million in 2011 and 2010, respectively, and are included in Cost of sales under "Hauling and shiploading costs" in the parent company statements of comprehensive income (see Note 20).

f. M&S Company, Inc. (M&S), an affiliate, supplies various supplies and materials to the Parent Company on cash on delivery basis. The Parent Company's total purchases from M&S amounted to ₱52.83 million and ₱48.07 million for 2011 and 2010, respectively.

M&S also rents out various equipment used in the Parent Company's operations which amounted to nil and ₱110.70 million in 2011 and 2010, respectively. This is included in Cost of sales under "Outside services" in the parent company statements of comprehensive income (see Note 20).

g. DMCI-PC, DMCI-MC, and DMCI Masbate Power Corporation (DMCI-MPC), affiliates under common control of DMCI-HI, entered into an agreement with the Parent Company to assign some of its employees to render services in the specific projects of the said affiliates. The related expenses billed to DMCI-PC, DMCI-MC and DMCI-MPC aggregated to ₱129.08 million and ₱121.29 million in 2011 and 2010, respectively.

h. Dacon, the principal shareholder of DMCI-HI, upgraded during the year the Parent Company's information technology environment, including the maintenance of its accounting system, Navision, to which related expenses of ₱0.32 million are included in Operating expenses under "Office and other expenses" in the parent company statements of comprehensive income (see Note 21).

i. D.M. Consunji, Inc. (DMCI), an affiliate under common control of DMCI-HI, had transactions with the Parent Company representing rentals of office, building and equipments and other transactions such as transfer of equipment, hauling and retrofitting services. The related expenses amounted to ₱69.26 million and ₱63.07 million in 2011 and 2010, respectively. These are included in Cost of sales under "Outside services" in the parent company statements of comprehensive income (see Note 20).

   The Parent Company also engaged the service of DMCI for the construction of various projects in compliance with its Corporate Social Responsibility (CSR) such as the mine rehabilitation, construction of covered tennis courts, track and field, perimeter fence and others to which related expenses aggregated to ₱341.04 million and nil in 2011 and 2010, respectively. These are included in Cost of sales "Outside service" in the parent company statements of comprehensive income (see Note 20).

j. DMC Urban Property Developers, Inc., an affiliate, had transactions with the Parent Company representing long-term lease on office space and other transactions rendered to the Parent Company necessary for the coal operations. Office rental expense amounted to ₱6.49 million and ₱6.97 million in 2011 and 2010, respectively. These are included in Cost of sales under "Outside services" in the parent company statements of comprehensive income (see Note 20).

k. Labor costs related to manpower services rendered by DMC-CERI and DMCI employees 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.

l. Wire Rope Corporation of the Philippines, an affiliate under common control of DMCI-HI, had transactions with the Parent Company representing supply of cable wires. The related expenses amounted to nil and ₱10.40 million in 2011 and 2010, respectively, and included in Cost of sales under "Materials and supplies" in the parent company statements of comprehensive income (see Note 20).

m. Royal Star Aviation Inc., an affiliate, transports the Parent Company's guests and employees from Manila to Semirara Island and vice versa and bills them for the utilization costs of the aircrafts. The related expenses amounted to ₱2.75 million and ₱0.73 million in 2011 and 2010, respectively, and are included in Cost of sales under "Production overhead" in the parent company statements of comprehensive income (see Note 20).

n. Asia Industries Inc., an affiliate, had transactions with the Parent Company for the rental of parking space to which related expenses amounted to ₱0.29 million and ₱0.32 million in 2011 and 2010, respectively. These are included in Operating expenses under "Office and other expenses" in the parent company statements of comprehensive income (see Note 21).

The following table summarizes the total amount of transactions due to or from related parties as of December 31, 2011 and 2010:

	2011	2010
Receivables (Note 5)		
Trade:		
Local sales	**₱334,057,151**	₱–
Due from related parties	**508,598,367**	169,332,641
Advances to related parties	**20,220**	–
	842,675,738	169,332,641
Due to related parties (Note 12)		
Under common control of DMCI-HI	**50,946,128**	35,738,216
Others	**60,024,157**	71,236,388
	110,970,285	106,974,604
	₱731,705,453	₱62,358,037

The Parent Company has not recorded any provision for doubtful accounts on its receivables relating to amounts owned by related companies. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Parent Company by benefit type follows:

	2011	2010
Short-term employee benefits	**₱93,866,643**	₱101,960,815
Post employee benefits	**2,346,104**	2,738,299
	₱96,212,747	₱104,699,114

There are no agreements between the Parent Company 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 Parent Company's pension plan.

19. Pension Plan

The Parent Company has a funded, noncontributory defined benefit plan covering substantially all of its regular employees. The date of the latest actuarial valuation is December 31, 2011.

As of December 31, 2011, 2010, and 2009, the assumptions used to determine pension benefits follow:

	2011	2010	2009
Discount rate	**6.75%**	8.10%	10.75%
Salary increase rate	**3.00%**	3.00%	3.00%
Expected rate of return on plan assets	**6.00%**	6.00%	6.00%

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

	2011	2010
Current service cost	**₱5,597,830**	₱4,762,273
Interest cost on benefit obligation	**4,405,686**	4,405,532
Expected return on plan assets	**(2,572,704)**	(1,635,383)
Actuarial loss recognized	**15,459**	–
	₱7,446,271	₱7,532,422

The above pension expense is included in operating expenses under "Personnel costs" in the parent company statements of comprehensive income (see Note 21).

The pension (asset) liability recognized in the parent company statements of financial position follows:

	2011	2010
Present value of defined benefit obligation	**₱64,766,789**	₱54,391,181
Fair value of plan assets	**57,994,669**	28,646,138
Excess of present value of defined benefit obligation over fair value of plan assets	**6,772,120**	25,745,043
Unrecognized actuarial loss	**(7,793,627)**	(5,748,295)
	(₱1,021,507)	₱19,996,748

Movements in the present value of defined benefit obligation follow:

	2011	2010
Balance at the beginning of year	**₱54,391,181**	₱40,981,694
Current service cost	**5,597,830**	4,762,273
Interest cost on benefit obligation	**4,405,686**	4,405,532
Actuarial loss	**372,092**	7,047,090
Benefits paid - from plan assets	–	(2,334,000)
Benefits paid - direct payments from book reserve	–	(471,408)
	₱64,766,789	₱54,391,181

Movements in the fair value of plan assets follow:

	2011	2010
Balance at beginning of year	**₱28,646,138**	₱28,423,387
Contributions during the period	**28,464,526**	–
Expected return on plan assets	**2,572,704**	1,635,383
Actuarial gain (loss) from plan assets	**(1,688,699)**	921,368
Benefits paid from plan assets	–	(2,334,000)
Balance at end of year	**₱57,994,669**	₱28,646,138
Actual return	**₱884,005**	₱2,556,751

The overall expected rate of return on plan assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

The Parent Company does not expect any contribution into the pension fund in 2012.

The amounts for the current and previous four periods follow:

	2011	2010	2009	2008	2007
Present value of defined benefit obligation	**₱64,766,789**	₱54,391,181	₱40,981,694	₱39,107,208	₱27,760,518
Fair value of plan assets	**(57,994,669)**	(28,646,138)	(28,423,387)	(25,008,190)	(55,374,465)
Deficit (surplus)	**6,772,120**	25,745,043	12,558,307	14,099,018	(27,613,947)
Experience adjustments on plan liabilities	**(2,339,743)**	4,250,163	(5,651,794)	(12,320,619)	(37,166,703)
Experience adjustments on plan assets	**(1,688,699)**	921,368	(31,911,761)	1,545,486	–

Movements in the unrecognized actuarial loss follow:

	2011	2010
Balance at the beginning of year	**(₱5,748,295)**	₱377,427
Actuarial loss on defined benefit obligation	**(372,092)**	(7,047,090)
Actuarial gain (loss) on the fair value of plan assets	**(1,688,699)**	921,368
Actuarial loss recognized	**15,459**	–
	(₱7,793,627)	(₱5,748,295)

As of December 31, 2011 and 2010, the major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	2011	2010
Investment in debt/equity securities	**96.25%**	97.89%
Deposits in banks	**2.10**	0.42
Miscellaneous receivables	**1.65**	1.69
	100.00%	100.00%

20. Cost of Sales

	2011	2010
Materials and supplies (Note 18)	**₱5,200,486,125**	₱4,803,259,752
Fuel and lubricants	**4,109,942,012**	2,885,908,073
Depreciation and amortization (Notes 9 and 11)	**1,792,534,859**	1,661,071,375
Outside services (Note 18)	**1,062,882,520**	1,833,871,968
Direct labor	**529,585,984**	541,490,075
Production overhead (Note 18)	**451,582,422**	410,084,662
Cost of coal	**13,147,013,922**	12,135,685,905
Hauling and shiploading costs (Notes 9 and 18)	**859,891,741**	596,769,138
	₱14,006,905,663	₱12,732,455,043

21. Operating Expenses

	2011	2010
Government share (Note 26)	**₱1,479,972,809**	₱1,310,029,153
Personnel costs	**188,046,363**	253,620,056
Taxes and licenses	**33,720,318**	38,116,491
Transportation and travel (Note 9)	**33,456,481**	22,656,520
Professional fees	**25,270,333**	36,732,553
Entertainment, amusement and recreation	**12,153,137**	8,517,996
Provision for doubtful accounts (Note 5)	**5,004,513**	220,865
Office and other expenses	**78,705,545**	69,250,130
	₱1,856,329,499	₱1,739,143,764

Office and other expenses include rental, utilities, repairs and other administrative expenses.

22. Finance Costs

	2011	2010
Interest on:		
Bank loans	**₱68,813,727**	₱161,519,069
Acceptances and letters of credits	**16,771,936**	15,513,593
Accretion provision for decommissioning and site rehabilitation (Note 15)	**919,180**	774,354
	₱86,504,843	₱177,807,016

23. Finance Income

	2011	2010
Interest on:		
Cash equivalents	**₱77,730,513**	₱14,241,945
Cash in banks	**1,547,956**	2,802,926
Accretion on security deposits (Note 7)	**168,856**	12,787,515
Others	**–**	188,678
	₱79,447,325	₱30,021,064

24. Other Income

	2011	2010
Gain on sale of equipment	**₱53,547,507**	₱6,088,124
Recoveries from insurance claims	**35,179,622**	5,069,284
Reversal of allowance for doubtful accounts (Note 5)	**7,892,343**	5,677,104
Gain on sale of investments (Note 8)	**–**	77,086,632
Miscellaneous	**3,285,825**	7,214,244
	₱99,905,297	₱101,135,388

25. Income Taxes

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in the parent company statements of comprehensive income follows:

	2011	2010
Statutory income tax rate	**30.00%**	30.00%
Adjustments for:		
Changes in unrecognized deferred tax assets	**0.28**	(0.19)
Nondeductible expense	**0.32**	0.40
Tax-exempt income	**(30.67)**	(29.55)
Interest income subjected to final tax at a lower rate - net of nondeductible interest expense	**(0.23)**	(0.01)
Gain on sale of investments	**–**	(0.84)
Effective income tax rate	**(0.30%)**	(0.19%)

The significant components of deferred tax liabilities represented the deferred tax effects of the following:

	2011	2010
Deferred tax liabilities on:		
Incremental cost of property, plant and equipment	**₱565,481**	₱7,846,604
Net unrealized foreign exchange gains	**–**	20,192,488
Unamortized prepaid rent	**–**	48,213
Deferred income tax liabilities	**₱565,481**	₱28,087,305

The Parent Company had the following deductible temporary differences that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized:

	2011	2010
Allowance for inventory write down (Note 6)	**₱53,286,925**	₱53,286,925
Provision for probable losses (Note 11)	**40,374,335**	40,374,335
Unrealized foreign exchange loss	**26,475,064**	–
Pension costs	**20,309,561**	19,996,748
Allowance for doubtful accounts (Note 5)	**15,367,488**	18,255,318
Provision for decommissioning and site rehabilitation	**39,788,796**	11,883,508
Unamortized discount on security deposits	**–**	168,856
	₱195,602,169	₱143,965,690

Board of Investments (BOI) Incentives

On September 26, 2008, the BOI issued in favor of the Parent Company a Certificate of Registration as an Expanding Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987. Pursuant thereto, the Parent Company shall be entitled to the following incentives, among others:

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

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

b. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from the date of registration. The president, general manager and treasurer of foreign-owned registered companies or their equivalent shall not be subject to the foregoing limitations.

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

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

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

The Parent Company availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱1,346.22 million and ₱1,369.47 million in 2011 and 2010, respectively.

26. Coal Operating Contract with DOE

On July 11, 1977, the Philippine Government (the Government), through its former Energy Development Board, awarded a 35-year COC to a consortium led by Vulcan Industrial & Mineral Exploration Corporation and Sulu Sea Oil Development Corporation that subsequently assigned said COC to the Parent Company on April 7, 1980. On July 27, 1977, Presidential Decree (PD) 972 was amended by PD 1174 thereby: (a) increasing coal operators' maximum cost recovery from an amount not exceeding 70% to 90% of the gross proceeds from production; and (b) increasing the amount of a special allowance for Philippine corporations from an amount not exceeding 20% to 30% of the balance of the gross income, after deducting all operating expenses. As a result, the Parent Company's COC was subsequently amended on January 16, 1981 reflecting said changes.

On June 8, 1983, the Ministry of Energy (now DOE), issued a new COC to the Parent Company, incorporating the foregoing assignment and amendments. The COC gives the Parent Company the exclusive right to conduct exploration, development and coal mining operations on Semirara Island until July 13, 2012. On May 13, 2008, the DOE granted the Parent Company's request for an extension of its COC for another 15-year or until July 14, 2027.

On November 12, 2009, the COC was amended further, expanding its contract area to include portions of Caluya and Sibay islands, Antique, covering an additional area of 5,500 hectares and 300 hectares, respectively.

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 (including accrued interest computed at 14% per annum on outstanding balance) under this contract and to the different LGU in the Province of Antique, under the provisions of the Local Government Code of 1991, amounted to ₱1,479.97 million and ₱1,310.03 million for the years ended December 31, 2011 and 2010, respectively (see Note 21). The liabilities, amounting to ₱905.01 million and ₱1,013.04 million are included under the "Trade and other payables" account in the parent company statements of financial position (see Note 12).

The DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by the Parent Company to feed its power plant in determining the amount due to DOE.

27. Contingencies and Commitments

The Parent Company has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of pending assessments.

28. Financial Risk Management Objectives and Policies

The Parent Company has various financial assets such as cash and cash equivalents, trade receivables, security deposits, and environmental guarantee fund which arise directly from operations.

The Parent Company's financial liabilities comprise short-term loans, trade and other payables and long-term debt. The main purpose of these financial liabilities is to raise finance for the Parent Company's operations.

The main risks arising from the Parent Company's financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. The BOD reviews and approves policies for managing each of these risks which are summarized below.

The sensitivity analyses have been prepared on the following basis:
- Price risk - movement in one-year historical coal prices
- Interest rate risk - market interest rate on unsecured bank loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant parent company statements of comprehensive income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as of December 31, 2011 and 2010.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The price that the Parent Company can charge for its coal is directly and indirectly related to the price of coal in the world coal market. In addition, as the Parent Company is not subject to domestic competition in the Philippines, the pricing of all of its coal sales is linked to the price of imported coal. World thermal coal prices are affected by numerous factors outside the Parent Company's control, including the demand from customers which is influenced by their overall performance and demand for electricity. Prices are also affected by changes in the world supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs. As the coal price is reset on a periodic basis under coal supply agreements, this may increase its exposure to short-term coal price volatility.

There can be no assurance that world coal prices will be sustained or that domestic and international competitors will not seek to replace the Parent Company in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Parent Company's profits or losses.

To mitigate this risk, the Parent Company continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved (i.e. domestic vs export). Also, in order to mitigate any negative impact resulting from price changes, it is the Parent Company's policy to set minimum contracted volume for customers with long term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin. The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract. Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e. abnormal rise in cost of fuel, foreign exchange rates).

Below are the details of the Parent Company's coal sales to the domestic market and to the export market:

	2011	2010
Domestic market	**41.14%**	29.24%
Export market	**37.27**	57.36
as a percentage of total coal sales volume		

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Parent Company as of December 31, 2011 and 2010 with all other variables held constant. The change in coal prices is based on 1-year historical price movements.

Based on ending coal inventory	Effect on income before income tax	
Change in coal prices	**2011**	2010
Increase by 30%	**₱915,762,074**	₱344,913,146
Decrease by 30%	**(915,762,074)**	(344,913,146)

Based on coal sales volume	Effect on income before income tax	
Change in coal prices	**2011**	2010
Increase by 30%	**₱6,019,117,161**	₱5,022,990,106
Decrease by 30%	**(6,019,117,161)**	(5,022,990,106)

Interest rate risk
The Parent Company's exposure to the risk of changes in market interest rates relates primarily to the Parent Company's long-term obligations with floating interest rates. The Parent Company's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Parent Company's policy is to maintain a balance of Peso-denominated and United States Dollar (US$) denominated debts.

The following table shows the information about the Parent Company's financial instruments that are exposed to cash flow (floating rate instrument) and fair value (fixed rate instrument) interest rate risks and are presented by maturity profile.

				2011				
	Interest	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Carrying Value
				(In Thousands)			
Cash equivalents	**1.80% to 3.70%**	**₱3,137,981**	**₱–**	**₱–**	**₱–**	**₱–**	**₱3,137,981**
Foreign long-term debt at floating rate							
$3.20 million loan (USD)	**1.16% payable in arrears, to be repriced every 90 days**	**₱140,288**	**₱–**	**₱–**	**₱–**	**₱–**	**₱140,288**
$29.96 million loan (USD)	**1.14% - 1.18% p.a. payable semi-annually in arrears, to be repriced every 6 months**	**639,057**	**674,531**	–	–	–	**1,313,588**
$15.70 million loan (USD)	**1.00% – 1.02% p.a. for 92 days, to be repriced every 30 to 180 days**	**442,382**	**246,064**	–	–	–	**688,446**
$23.45 million loan (USD)	**1.00% - 1.28% p.a. to be repriced every 3 months**	**240,239**	**788,014**	–	–	–	**1,028,253**
$21.11 million loan (USD)	**1.03% - 1.11% p.a. for the first 90 days, to be repriced every 3-4 months.**	–	**925,663**	–	–	–	**925,663**
		₱1,461,966	**₱2,634,272**	**₱–**	**₱–**	**₱–**	**₱4,096,238**

				2010			
	Interest	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Carrying Value
				(In Thousands)			
Cash equivalents	2.00% to 4.50%	₱1,216,638	₱–	₱–	₱–	₱–	₱1,216,638
Foreign long-term debt at floating rate							
$16.0 million loan (USD)	1.59% - 2.88% payable in arrears, to be repriced every 90 days	₱–	₱701,440	₱–	₱–	₱–	₱701,440
$14.58 million loan (USD)	1.95% p.a. payable semi-annually in arrears, to be repriced every 6 months	–	639,057	–	–	–	639,057
$10.08 million loan (USD)	1.90% p.a. for 92 days, to be repriced every 30 to 180 days	–	442,081	–	–	–	442,081
$5.48 million loan (USD)	1.82% p.a. to be repriced every 3 months	–	240,239	–	–	–	240,239
Deferred purchase payment at floating rate	4.00% p.a. over the rate 180 days	–	774,744	–	–	–	774,744
		₱–	₱2,797,561	₱–	₱–	₱–	₱2,797,561

The following table demonstrates the sensitivity of the Parent Company's profit before tax to a reasonably possible change in interest rates on December 31, 2011 and 2010, with all variables held constant, through the impact on floating rate borrowings.

	Effect on Profit Before Tax			
Basis points (in hundred thousands)	**2011**		2010	
+100	**(₱40,962)**	**(US$934.35)**	(₱27,976)	(US$638.13)
-100	**40,962**	**934.35**	27,976	638.13

The assumed movement in basis points for interest rate sensitivity analysis is based on the Parent Company's historical changes in market interest rates on unsecured bank loans.

There was no other effect on the equity other than those affecting the profit before tax.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Parent Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Parent Company's policy is to maintain a level of cash that is sufficient to fund its monthly cash requirements, at least for the next four to six months. Capital expenditures are funded through a mix of suppliers' credit, letters of credit, trust receipts and long-term debt, while operating expenses and working capital requirements are sufficiently funded through cash collections. A significant part of the Parent Company's financial assets that are held to meet the cash outflows include cash and cash equivalents and receivables. Although receivables are contractually collectible on a short-term basis, the Parent Company expects continuous cash inflows through continuous production and sale of coal. In addition, although the Parent Company's short-term investments are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

Moreover, the Parent Company considers the following as mitigating factors for liquidity risk:
- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored to avoid past due collectibles.

As part of its liquidity risk management, the Parent Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Fund raising activities may include obtaining bank loans.

The tables below summarize the maturity profile of the Parent Company's financial assets and financial liabilities as of December 31, 2011 and 2010 based on undiscounted contractual payments.

	2011					
	Less than 6 months	6-12 months	1-2 years	2-3 years	More than 3 years	Total
Assets:						
Cash and cash equivalents	₱3,736,661,403	₱–	₱–	₱–	₱–	₱3,736,661,403
Receivables:						
Trade:						
Local sales	1,276,254,396	8,258,045	–	–	–	1,284,512,441
Export sales	108,413,708	–	–	–	–	108,413,708
Due from related parties	436,791,730	71,806,637	–	–	–	508,598,367
Advances to related parties	20,220	–	–	–	–	20,220
Others*	5,719,100	1,969,091	–	–	–	7,688,191
Environmental guarantee fund	–	–	–	–	1,500,000	1,500,000
	5,563,860,557	82,033,773	–	–	1,500,000	5,647,394,330
Liabilities:						
Trade and other payables:						
Trade:						
Payable to suppliers and contractors	3,572,928,188	10,796,222				3,583,724,410
Due to related parties	110,647,501	322,784				110,970,285
Accrued expenses and other payables**	41,624,219	–	–	–	–	41,624,219
Short-term loans	623,457,376	–	–	–	–	623,457,376
Long term debt at floating rate						
$3.2 million loan (USD) with interest payable in arrears, to be repriced every 90 days	810,163	140,778,239	–	–	–	141,588,402
$29.96 million loan (USD) with interest payable semi-annually in arrears, to be repriced every 6 months	7,627,682	649,523,897	675,015,756	–	–	1,332,167,335
$15.70 million loan (USD) with interest payable in arrears, to be repriced every 30 to 180 days	3,461,409	447,368,880	246,064,056	–	–	696,894,345
$23.45 million loan (USD) with interest payable in arrears, to be repriced every 3 months	5,533,275	246,646,131	791,122,589	–	–	1,043,301,995
$21.11 million loan (USD) with interest payable in arrears, to be repriced every 90 to 180 days	4,985,227	4,985,227	932,309,744	–	–	942,280,198
	4,371,075,040	1,500,421,380	2,644,512,145	–	–	8,516,008,565
	₱1,192,785,517	(₱1,418,387,607)	(₱2,644,512,145)	₱–	₱1,500,000	(₱2,868,614,235)

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

	2010					
	Less than 6 months	6-12 months	1-2 years	2-3 years	More than 3 years	Total
Assets:						
Cash and cash equivalents	₱2,800,881,182	₱–	₱–	₱–	₱–	₱2,800,881,182
Receivables:						
Trade:						
Local sales	749,328,994	–	–	–	–	749,328,994
Export sales	582,130,762	–	–	–	–	582,130,762
Due from related parties	169,332,641	–	–	–	–	169,332,641
Others*	13,987,827	–	–	–	–	13,987,827
Security deposits	304,400,611	–	–	–	–	304,400,611
Environmental guarantee fund	–	–	–	–	1,500,000	1,500,000
	4,620,062,017	–	–	–	1,500,000	4,621,562,017
Liabilities:						
Trade and other payables:						
Trade:						
Payable to suppliers and contractors	3,117,416,772	–	–	–	–	3,117,416,772
Due to related parties	106,974,604	–	–	–	–	106,974,604
Accrued expenses and other payables**	125,798,133	–	–	–	–	125,798,133
Short-term loans	449,845,179	–	–	–	–	449,845,179
Long term debt at floating rate						
$16.0 million loan (USD) with interest payable in arrears, to be repriced every 90 days	9,156,418	9,156,418	703,800,303	–	–	722,113,139
$14.58 million loan (USD) with interest payable semi-annually in arrears, to be repriced every six (6) months	6,221,439	6,221,439	650,157,885	–	–	662,600,763
$10.08 million loan (USD) with interest payable in arrears, to be repriced every 30 to 180 days	3,985,363	3,985,363	448,059,321	–	–	456,030,047
$5.48 million loan (USD) with interest payable in arrears, to be repriced every three (3) months	2,187,257	2,187,257	243,520,053	–	–	247,894,567
$17.62 million deferred purchase payment at 4% interest p.a. over the rate 180 days BBA LIBOR on 2 business days prior to 1st day of interest period	15,507,539	15,507,539	783,130,726	–	–	814,145,804
	3,837,092,704	37,058,016	2,828,668,288	–	–	6,702,819,008
	₱782,969,313	(₱37,058,016)	(₱2,828,668,288)	₱–	₱1,500,000	(₱2,081,256,991)

**excludes advances for liquidation*

***excludes statutory liabilities*

Foreign Currency Risk
The Parent Company's foreign currency risk results primarily from movements of the Philippine Peso against the US$. Majority of revenues are generated in Peso, however, substantially all of capital expenditures are in US$.

The Parent Company manages this risk by matching receipts and payments in the same currency and monitoring. Approximately, 27.74% and 38.98% of the Parent Company's sales in 2011 and 2010, respectively, were denominated in US$ whereas approximately 50.38% and 48.08% of the debts as of December 31, 2011 and 2010, respectively, were denominated in US$.

Information on the Parent Company's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents follows:

	December 31, 2011		December 31, 2010	
	U.S. Dollar	**Peso Equivalent**	U.S. Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**$27,852,006**	**₱1,221,031,946**	$47,314,167	₱2,074,253,081
Trade receivables	**2,472,940**	**108,413,708**	13,278,530	582,130,762
Liabilities				
Trade payables	**(1,023,013)**	**(44,848,885)**	(10,304,844)	(451,764,348)
Short-term loans	**(14,221,199)**	**(623,457,376)**	(10,621,067)	(449,845,177)
Long-term debt (including current portion)	**(93,436,088)**	**(4,096,238,117)**	(63,812,979)	(2,797,560,988)
Net foreign currency denominated liabilities	**($78,355,354)**	**(₱3,435,098,724)**	($24,146,193)	(₱1,042,786,670)

The spot exchange rates used in 2011 and 2010 were ₱43.84 to US$1.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Parent Company's income before tax (due to changes in the fair value of monetary assets and liabilities) on December 31, 2011 and 2010.

Reasonably possible change in foreign exchange rate for every two units of Philippine Peso	Increase (decrease) in profit before tax	
	2011	2010
₱2	**(₱156,710,710)**	(₱38,550,790)
(₱2)	**156,710,710**	38,550,790

There is no impact on the Parent Company's equity other than those already affecting net income. The movement in sensitivity analysis is derived from current observations on fluctuations in dollar exchange rates.

The Parent Company recognized ₱26.01 million foreign exchange loss and ₱235.80 million foreign exchange gain for the year ended December 31, 2011 and 2010, respectively, arising from the translation of the Parent Company's cash and cash equivalents, trade receivables, trade payables and long-term debt.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Parent Company trades only with recognized, creditworthy third parties, thus, there is no requirement for collateral. It is the Parent Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Parent Company evaluates the financial condition of the local customers before deliveries are made to them.

On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject to the Parent Company's approval, hence, mitigating the risk on collection. In addition, receivable balances are monitored on an ongoing basis with the result that the Parent Company's exposure to bad debts is not significant.

The Parent Company generally offers 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.

With respect to the credit risk arising from the other financial assets of the Parent Company, which comprise cash and cash equivalents, advances to related parties, other receivables, security deposits and environmental guarantee fund, the exposure to credit risk arises from default of the counterparty with a maximum exposure to credit risk equal to the carrying amount of the financial assets as of reporting date. The Parent Company does not hold any collateral or other credit enhancement that will mitigate credit risk exposure. The Parent Company transacts only with institutions or banks and third parties that have proven track record in financial soundness.

The credit risk is concentrated to the following markets:

	2011	2010
Trade:		
Local sales	**71.33%**	80.34%
Due from related parties	**28.24**	18.16
Others	**0.43**	1.50
Total	**100.00%**	100.00%

The table below shows the maximum exposure to credit risk of the Parent Company.

	Gross Maximum Exposure	
	2011	2010
Cash and cash equivalents	**₱3,736,661,403**	₱2,800,881,182
Receivables:		
Trade:		
Local sales	**1,284,512,441**	749,328,994
Due from related parties	**508,598,367**	169,332,641
Advances to related parties	**20,220**	–
Others	**7,688,191**	13,987,827
Security deposits*	**–**	304,400,611
Environmental guarantee fund**	**1,500,000**	1,500,000
Total credit risk exposure	**₱5,538,980,622**	₱4,039,431,255

**Included under "Other current assets"*
***Included under "Other noncurrent assets"*

As of December 31, 2011 and 2010, the credit quality per class of financial assets is as follows:

	2011				
	Neither Past Due nor Impaired		Substandard	Past due or Individually	
	Grade A	Grade B	Grade	Impaired	Total
Cash and cash equivalents	₱3,736,661,403	₱–	₱–	₱–	₱3,736,661,403
Receivables:					
Trade:					
Local sales	1,150,662,526	114,944,740	–	18,905,175	1,284,512,441
Export sales	108,413,708	–	–	–	108,413,708
Due from related parties	436,791,730	71,806,637	–	–	508,598,367
Advances to related parties	20,220	–	–	–	20,220
Others	5,719,100	1,392,214	–	15,944,364	23,055,678
Environmental guarantee fund	1,500,000	–	–	–	1,500,000
Total	₱5,439,768,687	₱188,143,591	₱–	₱34,849,539	₱5,662,761,817

	2010				
	Neither Past Due nor Impaired		Substandard	Past due or Individually	
	Grade A	Grade B	Grade	Impaired	Total
Cash and cash equivalents	₱2,800,881,182	₱–	₱–	₱–	₱2,800,881,182
Receivables:					
Trade					
Local sales	643,875,352	91,602,243	–	21,743,742	757,221,337
Export sales	582,130,762	–	–	–	582,130,762
Related parties	169,332,641	–	–	–	169,332,641
Others	4,355,823	5,894,497	–	9,983,279	20,233,599
Security deposits	304,400,611	–	–	–	304,400,611
Environmental guarantee fund	1,500,000	–	–	–	1,500,000
Total	₱4,506,476,371	₱97,496,740	₱–	₱31,727,021	₱4,635,700,132

Cash and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top ten (10) banks in the Philippines in terms of resources and profitability. Security deposits are to be refunded by the lessor at the end of lease term as stipulated in the lease contract. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

Grade A trade and other receivables are considered to be of high value and are secured with coal supply agreements. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Trade due from related parties and advances to related parties are considered Grade A due to the Parent Company's positive collection experience. Environmental guarantee fund is assessed as Grade A since this is deposited in a reputable bank, which has a low probability of insolvency.

Grade B trade and other receivables are active accounts with minimal instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to the Parent Company's collection efforts and update their payments accordingly. The Parent Company determines financial assets as impaired when probability of recoverability is remote evidenced by the counterparty's financial difficulty.

Substandard grade are accounts which have probability of impairment based on historical trend or customer's current unfavorable operating conditions. Accounts under this group show possible future loss to the Parent Company as a result of default in payment of the counterparty despite of the regular follow-up actions and extended payment terms.

In the Parent Company's assessment, there are no financial assets that will fall under this category due to the following reasons:

- Local sales - transactions were entered with reputable and creditworthy companies.
- Export sales - covered by irrevocable letter of credit at sight from a reputable bank acceptable to the Parent Company.

As of December 31, 2011 and 2010, the aging analysis of the Parent Company's receivables presented per class is as follows:

	2011			
	Past Due but not Impaired		**Impaired Financial**	
	<45 days	**45-135 days**	**Assets**	**Total**
Receivables				
Trade - local sales	**₱10,647,130**	**₱8,258,045**	**₱–**	**₱18,905,175**
Others	**–**	**4,694,080**	**11,250,284**	**15,944,364**
Total	**₱10,647,130**	**₱12,952,125**	**₱11,250,284**	**₱34,849,539**

	2010			
	Past Due but not Impaired		Impaired Financial	
	<45 days	45-135 days	Assets	Total
Receivables				
Trade - local sales	₱13,851,399	₱–	₱7,892,343	₱21,743,742
Others	3,737,507	–	6,245,772	9,983,279
Total	₱17,588,906	₱–	₱14,138,115	₱31,727,021

Capital Management

The primary objective of the Parent Company's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders or issue new shares. There were no changes made in the Parent Company's capital management objectives, policies or processes.

The Parent Company manages its capital using Debt-Equity (DE) ratio, which is interest-bearing loans divided by equity and earnings per share (EPS). The following table shows the Parent Company's capital ratios as of December 31, 2011 and 2010.

	2011	2010
Interest-bearing loans	**₱4,096,238,117**	₱2,797,560,988
Total equity	**12,736,393,044**	10,815,139,947
DE ratio	**32.16%**	25.87%
EPS	**₱15.39**	₱6.95

The following table shows the component of the Parent Company's capital as of December 31, 2011 and 2010.

	2011	2010
Total paid-up capital	**₱7,031,777,411**	₱7,031,777,411
Retained earnings - unappropriated	**5,004,615,633**	3,083,362,536
Retained earnings - appropriated	**700,000,000**	700,000,000
	₱12,736,393,044	₱10,815,139,947

29. Fair Values

The following tables set forth the carrying values and estimated fair values of the Parent Company's financial assets and liabilities recognized as of December 31, 2011 and 2010.

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans and receivables				
Cash and cash equivalents	**₱3,736,661,403**	**₱3,736,661,403**	₱2,800,881,182	₱2,800,881,182
Receivables:				
Trade:				
Local sales	**1,284,512,441**	**1,284,512,441**	749,328,994	749,328,994
Export sales	**108,413,708**	**108,413,708**	582,130,762	582,130,762
Due from related parties	**508,598,367**	**508,598,367**	169,332,641	169,332,641
Advances to related parties	**20,220**	**20,220**	–	–
Others	**11,805,394**	**11,805,394**	13,987,827	13,987,827
Security deposits	–	–	304,400,611	304,400,611
Environmental guarantee fund	**1,500,000**	**1,500,000**	1,500,000	1,500,000
	₱5,651,511,533	**₱5,651,511,533**	₱4,621,562,017	₱4,621,562,017
Financial Liabilities				
Other financial liabilities				
Trade and other payables:				
Trade:				
Payable to suppliers and contractors	**₱3,583,724,410**	**₱3,583,724,410**	₱3,117,416,772	₱3,117,416,772
Due to related parties	**110,970,285**	**110,970,285**	106,974,604	106,974,604
Accrued expenses and other payables	**41,624,219**	**41,624,219**	125,798,133	125,798,133
Short term loans	**623,457,376**	**623,457,376**	449,845,179	449,845,179
Long-term debt	**4,096,238,117**	**4,096,238,117**	2,797,560,988	2,797,560,988
	₱8,456,014,407	**₱8,456,014,407**	₱6,597,595,676	₱6,597,595,676

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Financial Assets

Loans and receivables

Due to the short-term nature of the transactions, except for security deposits, the fair value of cash and cash equivalents, receivables and environmental guarantee fund approximate the amount of consideration at the time of initial recognition.

As of December 31, 2011, the fair values of the security deposits approximate their carrying amounts since these are already receivable within the year.

Financial Liabilities

Trade and other payables and short term loans

The fair values of trade and other payables and short term loans approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

Floating rate long-term debt

The carrying values approximated the fair value because of recent and regular repricing (quarterly) based on market conditions. As of December 31, 2011 and 2010, interest rates ranges from 1.01% to 1.82% and 1.01% to 4.00%, respectively.

Fair Value Hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2011 and 2010, the Parent Company does not have financial instruments measured at fair value.

30. Lease Commitments

On various dates in 2009 and 2008, the Parent Company entered into ERA with Banco de Oro Rental, Inc. (the lessor) for the rental of various equipments for a period of twenty (20) months starting on various dates. The ERA requires for the payment of a fixed monthly rental. It also requires the Parent Company to pay security deposits which shall be held by the lessor as security for the faithful and timely performance by the Parent Company of all its obligations. Upon its termination, the lessor shall return to the Parent Company the security deposit after deducting any unpaid rental and/or other amounts due to lessor (see Note 7). The equipment shall at all times be and remain, the sole and exclusive equipment of the lessor, and no title shall pass to the Parent Company.

As of December 31, 2011 and 2010, the future minimum lease payments under this operating lease follow:

	2011	2010
Less than one year	₱–	₱67,535,097
After one year but not more than 2 years	–	–
	₱–	₱67,535,097

31. Notes to Cash Flow Statements

Supplemental disclosure of noncash investing and financing activities follow:

a. On December 1, 2009, DMCI-HI and Dacon advanced an amount for future stock subscription which aggregated to ₱5,402.13 million. These advances were used in the reissuance of treasury shares on April 8, 2010 and stock rights offering on June 10, 2010.

b. In 2010, the Parent Company has acquired various conventional and other mining equipments through bank loans to which aggregated to an amount of ₱759.90 million.

32. Segment Information

The Parent Company is engaged in surface open cut mining of thermal coal and is managed by the Chief Operating Decision Maker (CODM) as a single business unit. The CODM monitors the operating results of the Parent Company for the purpose of making decisions about resource allocation and performance assessment. The Parent Company performance is evaluated based on revenue and net income before tax which are measured similarly as profit or loss in the Parent Company's financial statements.

Geographic Information

The financial information about the operations of the Parent Company as of December 31, 2011 and 2010 reviewed by the management follows:

	2011	2010
Export coal sales	₱7,160,712,695	₱8,926,587,776
Local:		
Coal sales	12,903,011,176	7,816,712,579
Coal handling	–	10,646,766
Electricity	3,205,940	1,396,089
Revenue	**₱20,066,929,811**	₱16,755,343,210
Income before income tax	**₱5,467,325,035**	₱2,471,498,564

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 location of the customer.

The following information presents the operating assets and liabilities of the Parent Company as of December 31, 2011 and 2010.

	2011		
	Mining	**Power Generation**	**Consolidated**
Operating assets	₱13,421,061,917	₱–	₱13,421,061,917
Investments and advances	–	8,772,700,560	8,772,700,560
	₱13,421,061,917	₱8,772,700,560	₱22,193,762,477
Operating liabilities	₱5,360,565,835	₱–	₱5,360,565,835
Long-term debt	4,096,238,117	–	4,096,238,117
Deferred tax liabilities	565,481	–	565,481
	₱9,457,369,433	₱–	₱9,457,369,433
Other disclosures			
Capital expenditure	₱2,046,069,130	₱–	₱2,046,069,130

	2010		
	Mining	Power Generation	Consolidated
Operating assets	₱10,779,152,305	₱–	₱10,779,152,305
Investments and advances	–	8,000,000,000	8,000,000,000
	₱10,779,152,305	₱8,000,000,000	₱18,779,152,305
Operating liabilities	₱5,138,364,065	₱–	₱5,138,364,065
Long-term debt	2,797,560,988	–	2,797,560,988
Deferred tax liabilities	28,087,305	–	28,087,305
	₱7,964,012,358	₱–	₱7,964,012,358
Other disclosures			
Capital expenditure	₱3,291,596,552	₱–	₱3,291,596,552

1. Segment assets include investments in associates accounted for by the cost method.
2. Segment liabilities exclude deferred tax and income tax payable. Long term bank loans are no longer included as these are managed on a group basis.
3. Capital expenditures consist of additions of property, plant and equipment.
4. All non-current assets other than financial instruments are located in the Philippines.

33. Approval of Financial Statements

The parent company financial statements of Semirara Mining Corporation as of December 31, 2011 and 2010 were endorsed for approval by the Audit Committee on February 28, 2012 and were authorized for issue by the Executive Committee of the BOD on March 6, 2012.

SGV&Co
Ernst & Young

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BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Semirara Mining Corporation
2281 Don Chino Roces Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Semirara Mining Corporation (the Parent Company) as at December 31, 2011 and 2010 and for each of the two years in the period ended December 31, 2011, included in this Form 17-A, and have issued our report thereon dated March 6, 2012. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Parent Company Financial Statements and Supplementary Schedules are the responsibility of the Parent Company'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 basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna
Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-2 (Group A),
February 11, 2010, valid until February 10, 2013
Tax Identification No. 102-082-365
BIR Accreditation No. 08-001998-10-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 3174583, January 2, 2012, Makati City

March 6, 2012

Semirara Mining Corporation

Supplementary Information Required
Under Revenue Regulations 19-2011 and 15-2010
December 31, 2011

SyCip Gorres Velayo & Co.

RECEIVED
APR 13 2012
EXCISE TAXPAYERS REGULATORY DIV.

SGV & Co
ERNST & YOUNG

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SGV & Co
Ernst & Young

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Semirara Mining Corporation
2281 Don Chino Roces Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing the financial statements of Semirara Mining Corporation as at and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated March 6, 2012 which contained an unqualified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 for the year ended December 31, 2011 is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule 68. Revenue Regulations 19-2011 and 15-2010 require the information to be presented in the notes to financial statements. Such information is the responsibility of the management of Semirara Mining Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna
Partner
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March 6, 2012

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EXCISE TAXPAYERS REGULATORY DIV.

SEMIRARA MINING CORPORATION
SUPPLEMENTARY TAX INFORMATION
UNDER REVENUE REGULATIONS 19-2011 and 15-2010
FOR THE YEAR ENDED DECEMBER 31, 2011

In its 2011 filing for income tax return, the Company disclosed the following information in taxable income and deductions using the revised format required under RR 19-2011.

	Exempt	Special	Regular	Total
Sales/Revenues/Receipts/Fees	₱14,216,458,074	₱–	₱5,847,265,797	₱20,063,723,871
Cost of Sales/Services	(6,144,800,603)	–	(7,809,929,361)	(13,954,729,964)
Gross income from operation	8,071,657,471	–	(1,962,663,564)	6,108,993,907
Non-Operating and Taxable Other Income	–	–	159,784,860	159,784,860
Total gross income	8,071,657,471	–	(1,802,878,704)	6,268,778,767
Less: Itemized Deductions:	(1,335,687,798)	–	(543,894,370)	(1,879,582,168)
Net Taxable Income	₱6,735,969,673	₱–	(₱2,346,773,074)	₱4,389,196,599

Non-Operating and Taxable Other Income consists of:

	Exempt	Special	Regular	Total
Realized foreign exchange gain	₱–	₱–	₱67,771,906	67,771,906
Gain on sale of equipments	–	–	53,547,507	53,547,507
Recoveries from insurance claims	–	–	35,179,622	35,179,622
Miscellaneous	–	–	3,285,825	3,285,825
	₱–	₱–	₱159,784,860	₱159,784,860

Itemized Deduction consists of:

	Exempt	Special	Regular	Total
Government share	₱1,048,657,344	₱–	₱431,315,465	₱1,479,972,809
Salaries, wages and employee benefits	99,514,650	–	46,573,292	146,087,942
Interest	55,813,758	–	4,368,479	60,182,237
Commission	24,466,507	–	11,450,433	35,916,940
Outside services	22,022,279	–	10,306,523	32,328,802
Taxes and licenses	17,671,375	–	8,270,281	25,941,656
Rental	14,689,402	–	6,874,705	21,564,107
Depreciation and amortization	14,078,258	–	6,588,687	20,666,945
Supplies	10,224,287	–	4,785,011	15,009,298
Entertainment, amusement and recreation	8,278,679	–	3,874,458	12,153,137
Transportation and travel	7,459,557	–	3,491,105	10,950,662
Communication, light and water	6,089,565	–	2,849,943	8,939,508
Repairs and maintenance	4,740,891	–	2,218,758	6,959,649
Insurance	321,965	–	150,681	472,646
Advertising and marketing	301,364	–	141,040	442,404
Miscellaneous	1,357,917	–	635,509	1,993,426
	₱1,335,687,798	₱–	₱543,894,370	₱1,879,582,168

In compliance with the requirements set forth by Revenue Regulations 15-2010 hereunder are the information on taxes, duties and licenses fees paid or accrued during the taxable year.

Value added tax (VAT)
The Company is operating under Presidential Decree 972 as amended or otherwise known as Coal Development Act of 1976. By virtue of the said Act and its Coal Operating Contract with the Government, the Parent Company, as Coal Operator, was granted the following rights, among others, under Section 5.2 thereof:

a) Exemption from all taxes (national and local) except Income Tax;
b) Exemption from all payment of tariff duties and compensating taxes on importation of machinery and equipment, spare parts and materials required for the coal operations;

In view of thereof, its revenue amounting to ₱20,06 billion was not subjected to sales taxes, such as output VAT.

However, since its exemption from all taxes (except income tax) is deemed not applicable to indirect taxes, the amount of input VAT paid on domestic purchases/payments for goods and services for the current year are as follows:

Goods for resale/manufacture or further processing	₱229,432,292
Services lodged under cost of sales	40,772,060
Capital goods subject to amortization	14,737,479
Services lodged under operating expenses	5,799,182
Total	₱290,741,013

Taxes, licenses and other fees
Taxes, licenses and other fees paid to the Government and its instrumentalities, local and national, include real estate taxes, licenses, permit fees and payment of share to the national wealth for 2011:

Included in Cost of sales:	
Documentary stamp taxes	₱1,820,220
Licenses and permit fees	1,239,946
Real estate taxes	1,235,759
	₱4,295,925

Included in Operating expenses:	
Government royalty fee	₱1,479,972,809
Documentary stamp taxes	18,427,265
Capital gains tax, inclusive of interest and penalties	10,304,968
Licenses and permits fees	4,987,585
Registration fee	500
	₱1,513,693,127

Withholding taxes
As of December 31, 2011, total remittances and balance of withholding taxes are as follows:

	Total Remittances	Amount
Final	₱157,756,623	₱1,078,578
Expanded	80,434,739	2,508,923
Compensation	34,386,484	29,470,227
Total	₱272,577,846	₱33,057,728

Tax assessment and cases
The Company received on February 16, 2010 a Letter of Authority dated February 5, 2010 from Bureau of Internal Revenue (BIR) for alleged deficiency income tax and withholding tax for taxable year 2008. After thorough examination, the BIR issued a Preliminary Assessment Notice on July 15, 2011 for the following deficiency taxes which the Company accepted and paid:

Nature of tax case	Period Covered	Amount
Income taxes	2008	₱29,367,365
Withholding Tax - Compensation	2008	3,737,666
Withholding - Expanded	2008	1,891,320
Total		₱34,996,351

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS
DECEMBER 31, 2011

(None)

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTOR, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2011

(None)

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2011

Name of Subsidiaries	Receivable Balance per Parent	Payable Balance per Subsidiaries	Current	Not current	Balance at end of period
Sem-Calaca Power Corporation	₱771,671,157	₱771,671,157	₱771,671,157	₱–	₱–
SEM-Cal Industrial Park Developers Inc.	20,220	20,220	20,220	–	–
	₱771,691,377	₱771,691,377	₱771,691,377	₱-	₱–

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

SCHEDULE D: INTANGIBLE ASSETS

DECEMBER 31, 2011

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Charged to other accounts	Other changes	Ending balance
Software cost	₱6,345,855	₱4,712,460	₱5,325,356	₱–	₱–	₱5,732,959

See Note 10 of the Consolidated Financial Statements.

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

SCHEDULE E: LONG TERM DEBT
DECEMBER 31, 2011

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Maturity date	Number of periodic installments	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
Mortgage payable	₱9,600,000,000	PDST-F benchmark yield for 3-month treasury securities + 1.75%	5/20/2017	Payable in twenty-five (25) equal consecutive quarterly installments commencing on May 20, 2011.	₱1,530,694,871	₱6,834,877,906
Bank loans	140,288,000	1.59%, to be repriced every 90 days	10/19/2012	Principal to be paid at maturity date	140,288,000	–
Bank loans	297,467,859	1.95%, to be repriced every six months	12/14/2012	Principal to be paid at maturity date	297,467,859	–
Bank loans	152,469,426	1.95%, to be repriced every six months	12/20/2012	Principal to be paid at maturity date	152,469,426	–
Bank loans	189,119,710	1.95%, to be repriced every six months	11/22/2012	Principal to be paid at maturity date	189,119,710	–
Bank loans	359,953,274	1.95%, to be repriced every six months	1/18/2013	Principal to be paid at maturity date	–	359,953,274
Bank loans	314,578,129	1.95%, to be repriced every six months	1/31/2013	Principal to be paid at maturity date	–	314,578,129
Bank loans	240,239,167	1.80%, to be repriced every 90 days	10/19/2012	Principal to be paid at maturity date	240,239,167	–
Bank loans	142,500,944	1.80%, to be repriced every 90 days	10/19/2012	Principal to be paid at maturity date	142,500,944	–
Bank loans	59,641,651	1.80%, to be repriced every 90 days	10/8/2012	Principal to be paid at maturity date	59,641,651	–
Bank loans	244,827,085	1.80%, to be repriced every 90 days	1/31/2013	Principal to be paid at maturity date	–	244,827,085
Bank loans	1,236,970	1.80%, to be repriced every 90 days	1/31/2013	Principal to be paid at maturity date	–	1,236,970
Bank loans	240,239,167	1.82%, to be repriced quarterly	10/8/2012	Principal to be paid at maturity date	240,239,167	–
Bank loans	23,454,400	1.60%, to be repriced quarterly	1/31/2013	Principal to be paid at maturity date	–	23,454,400

(Forward)

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Maturity date	Number of periodic installments	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
Bank loans	79,695,465	1.61%, to be repriced quarterly	2/14/2013	Principal to be paid at maturity date	–	79,695,465
Bank loans	188,512,000	1.61%, to be repriced quarterly	3/11/2013	Principal to be paid at maturity date	–	188,512,000
Bank loans	320,592,056	1.61%, to be repriced quarterly	3/11/2013	Principal to be paid at maturity date	–	320,592,056
Bank loans	175,760,040	1.28%, to be repriced quarterly	12/5/2013	Principal to be paid at maturity date	–	175,760,040
Bank loans	14,817,920	1.11%, to be repriced quarterly	8/19/2013	Principal to be paid at maturity date	–	14,817,920
Bank loans	353,857,654	1.04%, to be repriced quarterly	8/16/2013	Principal to be paid at maturity date	–	353,857,654
Bank loans	70,363,200	1.03%, to be repriced quarterly	8/9/2013	Principal to be paid at maturity date	–	70,363,200
Bank loans	486,624,000	1.03%, to be repriced quarterly	8/9/2013	Principal to be paid at maturity date	–	486,624,000
	₱13,696,238,117				**₱2,992,660,795**	**₱9,469,150,099**

See Note 12 of the Consolidated Financial Statements

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2011

(None)

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2011

(None)

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

SCHEDULE H: CAPITAL STOCK

DECEMBER 31, 2011

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	1,000,000,000	356,250,000	–	244,254,976	1,745,118	110,249,906

See Note 15 of the Consolidated Financial Statements

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

December 31, 2011

PFRSs and PIC Q&As	Adopted/Not adopted/ Not applicable
PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*	Not applicable
PFRS 2, *Share-based Payment*	Not applicable
PFRS 3, *Business Combinations*	Not applicable
PFRS 4, *Insurance Contracts*	Not applicable
PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*	Not applicable
PFRS 6, *Exploration for and Evaluation of Mineral Resources*	Adopted
PFRS 7, *Financial Instruments: Disclosures*	Adopted
PFRS 8, *Operating Segments*	Adopted
PAS 1, *Presentation of Financial Statements*	Adopted
PAS 2, *Inventories*	Adopted
PAS 7, *Statement of Cash Flows*	Adopted
PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*	Adopted
PAS 10, *Events after the Reporting Period*	Adopted
PAS 11, *Construction Contracts*	Not applicable
PAS 12, *Income Taxes*	Adopted
PAS 16, *Property, Plant and Equipment*	Adopted
PAS 17, *Leases*	Adopted
PAS 18, *Revenue*	Adopted
PAS 19, *Employee Benefits*	Adopted
PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*	Adopted
PAS 21, *The Effects of Changes in Foreign Exchange Rates*	Adopted
PAS 23, *Borrowing Costs*	Adopted
PAS 24, *Related Party Disclosures*	Adopted
PAS 26, *Accounting and Reporting by Retirement Benefit Plans*	Adopted
PAS 27, *Consolidated and Separate Financial Statements*	Adopted
PAS 28, *Investments in Associates*	Not applicable
PAS 29, *Financial Reporting in Hyperinflationary Economies*	Not applicable
PAS 31, *Interests in Joint Ventures*	Not applicable
PAS 32, *Financial Instruments: Presentation*	Adopted
PAS 33, *Earnings per Share*	Adopted
PAS 34, *Interim Financial Reporting*	Not applicable
PAS 36, *Impairment of Assets*	Adopted
PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*	Adopted
PAS 38, *Intangible Assets*	Adopted
PAS 39, *Financial Instruments: Recognition and Measurement*	Adopted
PAS 40, *Investment Property*	Adopted
PAS 41, *Agriculture*	Not applicable
Philippine Interpretation IFRIC–1, *Changes in Existing*	

PFRSs and PIC Q&As	Adopted/Not adopted/ Not applicable
Decommissioning, Restoration and Similar Liabilities	Adopted
Philippine Interpretation IFRIC–4, *Determining whether an Arrangement contains a Lease*	Adopted
Philippine Interpretation IFRIC–5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	Adopted
Philippine Interpretation IFRIC–14, *PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	Adopted
Philippine Interpretation SIC–10, *Government Assistance - No Specific Relation to Operating Activities*	Adopted
Philippine Interpretation SIC–27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	Adopted
PIC Q&A No. 2006-02: PAS 27.10(d) – Clarification of criteria for exemption from presenting consolidated financial statements	Adopted
PIC Q&A No. 2008-01 (Revised): PAS 19.78 – Rate used in discounting post-employment benefit obligations	Adopted
PIC Q&A No. 2010-02: PAS 1R.16 – Basis of preparation of financial statements	Adopted

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

AS OF DECEMBER 31, 2011

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning			₱3,396,462,550
Add: Net income actually earned/realized during the period			
Net income during the period closed to Retained Earnings		₱5,483,753,097	
Less:	Non-actual/unrealized income net of tax		
	Reversal of provision for doubtful accounts	5,524,640	
	Accretion on security deposits	118,199	
	Sub-total	5,642,839	
Add:	Non-actual losses		
	Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	23,889,534	
	Depreciation on revaluation increment (after tax)	16,989,287	
	Net taxable pension cost	3,611,721	
	Accretion on provision for decommissioning and site rehabilitation	643,426	
	Amortization of rent expense	112,498	
	Sub-total	45,246,466	
Net income actually earned during the period			5,523,356,724
Less:			
Dividend declarations during the period			3,562,500,000
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDENDS			**₱5,357,319,274**

SEMIRARA MINING CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2011

Financial Soundness Indicator	2011	2010
i. Liquidity ratios:		
Current ratio	124.97%	148.08%
Quick ratio	84.33%	114.09%
ii. Leverage ratios:		
Debt-to-equity ratio	84.15%	99.62%
Interest coverage ratio	1401.88%	600.71%
iii. Management ratios:		
Inventory turnover ratio	479.48%	598.99%
Accounts receivable turnover ratio	854.25%	1081.95%
Return on assets ratio	16.93%	12.96%
Return on equity ratio	40.73%	32.03%
iv. Asset-to-equity ratio	240.59%	247.12%
v. Profitability ratios:		
Gross margin ratio	35.46%	30.17%
Net profit margin ratio	23.36%	17.26%
vi. Solvency ratios		
Current liabilities to net worth ratio	76.32%	56.18%
Total liabilities to net worth ratio	140.59%	147.12%
Profit to liabilities ratio	27.83%	25.99%

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2011