COVER SHEET

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

SEC Registration Number

SEMIRARA MINING CORPORATION

(Company's Full Name)

2ND FLOOR DMCI PLAZA
2281 DON CHINO ROCES AVENUE
MAKATI CITY

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

John R. Sadullo

(Contact Person)

888-3000

(Company Telephone Number)

12 31

(Fiscal Year)

17-A

(Form Type)

Month *Day*

(Annual Meeting[1])

(Secondary License Type, If Applicable)

CRMD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

[1] First Monday of May of each year.

SEMIRARA MINING CORPORATION

SEC FORM 17-A

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

1. For the fiscal year ended: **December 31, 2013**

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

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

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

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

7. **2nd Floor, DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City 1200**
   Address of principal office Postal Code

8. **(02) 888-3555 / (02) 888-3955 (Fax)**
   Issuer's telephone number, including area code

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

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

Title of Each Class	Number of Shares Stock Outstanding and Amount of (Long-term) Debt Outstanding
Common	**356,250,000 / ₱15,808,646,351**

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

    Yes (✓) No ( )

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

12. Check whether the issuer:

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

    Yes (✓) No ( )

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

    Yes ( ) No (✓)

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

Name	No. Of Shares Held	% of Total	Aggregate Market Value
PCD Nominee Corp. (Foreign)	42,378,964	11.90%	₱12,205,141,632.00
Others	67,685,175	19.00%	19,493,330,400.00
TOTAL	110,064,139	30.90%	₱31,698,472,032.00[1]

[1] Computed on the basis of closing price at ₱288.00/share as of December 27, 2013 as quoted by the Philippine Stock Exchange.

SEMIRARA MINING CORPORATION
SEC FORM 17-A

TABLE OF CONTENTS

	Page
PART I – BUSINESS AND GENERAL INFORMATION	4
A. Description of Business	4
1. Business Development	4
2. Business of Issuer	4
B. Description of Property	7
1. Property	7
2. Mining and Oil Companies	9
C. Legal Proceedings	9
PART II – SECURITIES OF THE REGISTRANT	13
A. Market Price and Dividends on Registrant's Common Equity and Related Stockholders Matters	13
1. Market Information	13
2. Holders	14
3. Dividends	15
4. Recent Sales of Unregistered Securities	16
5. Minimum Public Ownership Report	16
PART III – FINANCIAL INFORMATION	16
A. Management's Discussion and Analysis of Financial Condition and Results of Operation (years 2010-2013)	16
1. Full Years 2012-2013	16
2. Full Years 2011-2012	24
3. Full Years 2010-2011	30
B. Information on Independent Accountant and Other Related Matters	33
1. External Audit Fees and Services	34
PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS	34
A. Directors and Executive Officers of the Issuer	34
1. Citizenship, Educational Attainment, etc.	34
Board Meeting and Attendance	39
Term of Office	39
Independent Directors	39
Other Directorship Held in Reporting Companies	40
2. Significant Employees/Executive Officers of the Issuer	40
3. Family Relationship	40
4. Involvement in Certain Legal Proceedings	40
B. Executive Compensation	41
C. Security Ownership of Certain Beneficial Owners and Management	42
1. Security Ownership of Certain Record and Beneficial Owners	42
2. Security Ownership Management	43
D. Certain Relationship and Related Transactions	43
PART V – EXHIBITS AND SCHEDULES	44
A. Exhibits and Reports on SEC Form 17-C	44
1. Exhibits	44
2. Reports on SEC Form 17-C	44
SIGNATURES	46
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES	47

NON-FINANCIAL DISCLOSURE REQUIREMENTS

PART I- BUSINESS AND GENERAL INFORMATION

A. DESCRIPTION OF BUSINESS

(1) Business Development

(a) Form and year of organization. - The Company was incorporated on February 26, 1980 to explore, develop, and mine the coal resources in Semirara Island. To date, the Company has seven (7) wholly-owned (100%) subsidiaries, namely:

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

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

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

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

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

(vi) SEM-Balayan Power Generation Corporation (SBPGC) was incorporated on September 9, 2013 to engage in the business of power generation; and

(vii) St. Raphael Power Generation Corporation (SRPGC) was incorporated on September 10, 2013 to engage in the business of power generation.

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

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

(2) Business of Issuer

(a) Description of Registrant

(i) Principal product or services and their markets. - The Company generates its revenues through the production and sale of sub-bituminous coal. The coal handling services at the National Power Corporation's Calaca Power Plants, located in Batangas was terminated after the Company's wholly-owned subsidiary, SCPC acquired ownership over the Calaca Power Plants in December 2, 2009. Over the years the Company diversified its coal market. For the year 2013, volume sold to export market accounted for 45% of the total coal sales, the power generation sector 38%, cement and other industries at 17%. Year on year, market share varies depending on the demand from each of the major market sector. The total power off-take in 2013 showed a net increase of 3% from last due to higher off-take by its own power generating units at Calaca, Batangas. The Company's wholly-owned power subsidiary, SCPC supplies power under various bilateral contracts and its excess power generated are sold to Whole Sale Electricity Sport Market (WESM) or the spot market. Total contracted energy in 2013 is at 485 MW, of 420 MW is for Meralco. SIPDI intends to develop certain areas within the premises of the Calaca Power Plant into an economic zone to cater certain industries that will benefit due to its proximity to Calaca Power Plants but as of to date, it still remains under study. To date, approval to develop the areas within the Calaca Power Plants is pending with the Philippine Economic Zone Authority (PEZA). The new wholly-owned subsidiary, Semirara Claystone, Inc. was created to primarily engage in, conduct, and carry on the business of manufacturing, buying, selling, distributing, marketing at wholesale and retail all kinds of goods from clay and other related raw materials, it is still under pre-operating stage since it has not yet started production of commercial quantity. SLPGC is currently developing and going to operate the 2x150 MW Coal Fired Thermal Power Plant, using Circulating Fluidized Bed Technology, located adjacent to the Calaca Power Plants. Project target

completion is 1st half 2015. Finally, SRPGC plans to own, develop and operate a power plant with a capacity which may range between 350MW to 400MW to be located adjacent to SLPGC's power plant.

(ii) Percentage of sales or revenues and net income contributed by foreign sales for each of the last three years. – For years 2013, 2012 and 2011, the coal segment, foreign sales accounted for 45%, 40% and 36% of gross coal sales revenues, respectively and around 13.5%, 25%, 21.0% in net income after tax, respectively. For the power revenue, 100% is local sales.

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

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

(v) Competition. - Competition is insignificant in so far as domestic coal mine is concerned. The Company remains the largest coal producer in the Philippines. Based on the 2013 production data from Department of Energy, the Company's production output accounted for 96.53% of total production in the Philippines of 7.84M MT while the nominal balance is shared by small-scale mines in Cebu, Batan Island, Albay, Surigao, Zamboanga and other areas. Nonetheless, domestic coal demand is still anchored heavily on imported coal. In 2013, the Company contributed 7.57 million metric tons (MT) to the country's coal. The competitiveness of domestic coal producers is threatened by the more superior quality of imported coal as well as the government's policy on liberalization. This is however compensated by the Department of Energy's policy to promote indigenous energy resources and lower freight costs of local coal vis-à-vis imports. The Company remains to be competitive while it continues to exert efforts to improve the quality of its coal and keep production costs low. Common Effective Preferential Tariff rates (CEPT) on coal among ASEAN member nations is 0%, outside ASEAN, the tariff rate is at 5%.

To be competitive, local coal industry must be priced competitively against imported coals, currently from, Indonesia, China & Australia. Pricing of domestic coal is based on import parity inclusive of taxes and duties (at the current rate of taxes and duties). With the inherent quality of Semirara coal, it is estimated that it can be utilized by approximately 50% of the total Philippine market. In 2013, 22% of the local market was served by Semirara. The promptness of delivery and quality of coal is required. The power companies are mostly located in Luzon and a few in the Visayas and Mindanao.

(vi) Sources and availability of raw materials and the name of Principal suppliers; any major existing supply contracts. - The Company has a Coal Operating Contract (COC) with Department of Energy (DOE) in 1977 (amended 1981) for the exploration, development, mining and utilization of coal over Semirara Island, Antique pursuant to Presidential Decree No. 972. On May 13, 2008, the DOE approved the term extension of the Company's COC from July 13, 2012 to July 14, 2027. Semirara Island has an estimated coal reserve of 150 million metric tons representing 50% of the country's known coal reserve. On November 12, 2009, DOE and the Company executed Second Amendment to Coal Operating Contract. The second amendment amended the coordinates of the contract area to include an area of 3,000 and 4,200 hectares, more or less situated in Caluya Island and Sibay Island, Antique.

Currently, the Company has an existing coal supply contract with SCPC. Potential requirement of the Calaca Plants is approximately 1.5 to 2.0 Million MTs.

(vii) Dependence upon a single customer. –The Company is no longer dependent upon a single customer. It successfully diversified its market base. In 2013, export and local sales registered at 45% and 55% in terms of volume and at 44% and 56% in terms of value, respectively. While in 2012, export and local sales registered at 44% and 56% in terms of volume and 40% and 60% in terms of value, respectively, from 37% and 63% in terms of volume and 36% and 64% in terms of value, respectively in 2011. Sales to Calaca Power Plant was at 28% in 2013 from 22% in 2012. Total sales to power plants

registered at 38% from 35% in 2013. The balance was shared among other power plants, cement plants and other industries.

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

While on the other hand, for its power segment, around 85% of its average load capacity is contracted. Majority of the power generated is sold to Meralco.

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

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

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

(x) **Need for any government approval of principal products or services.** - The Company has secured permits and licenses from the government as follows: a) Coal Operating Contract with the DOE effective until 2012;[2] b) Mineral Exploration Permit No. 99-001-VI issued by the DENR renewable every 2 years; c) Environmental Compliance Certificate (ECC) No. 9805-009-302 issued by the DENR effective for the duration of the project; d) Business Permit issued by Caluya, Antique and Makati City; e) Aerodrome Rating Certificate No. 218 issued by the ATO-yearly renewable by site; f) Certificate of Registration of Port Facilities No. 149 until December 31, 2014; and g) DENR Special Land Use Permit No. 6-1-SLUP-OLP002-03152017 until March 15, 2017.

(xi) **Effect of existing or probable governmental regulations on the business.** – None

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

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

(xiii) Costs and effects of compliance with environmental laws. - The Company has programs being implemented to comply with the conditions of ECC, which includes the Regular Monitoring by the Multi-partite Monitoring Team (MMT), Marine Assessment Studies/Surveys, and Social & Environmental Development Programs such as expanded mangrove areas, initiated and supported livelihood projects, implemented reforestation programs on the island and cultivated marine sanctuary, i.e., giant clams and abalones. The Company has spent ₱547.96 Million for these activities from 1999-2013. The Company has established an Environmental Monitoring Fund for MMT, which has an initial amount of ₱600,000.00 determined by the work and financial plan of the Monitoring Team. Also, an Environmental Guarantee Fund was established with a cash component of 1.5 Million. This enables the continued mining operations of the Company.

(xiv) Total number of employees. - The average number of personnel of the Company is - 2,371 and 2,158 for the years 2013 and 2012, respectively, inclusive of employees based at the Company's head office in Makati. Out of the 2,371 personnel for 2013, 563 are employed by the Company while the rest are employed by the Company's contractor, DMC Construction Equipment Resources, Inc., an affiliate of Dacon Corporation. The Company does not anticipate hiring additional employees for the ensuing year except when due to contingencies resulting in separation, resignation, termination of services of existing employees. The breakdown of the Company's employees according to type, are as follows:

Executive	11
Managers	15
Supervisors	66
Rank and File	471
Total	**563**

On the other hand, in 2013 the average number of personnel working at SCPC's Calaca Power Plants are 299, 214 of which are employees of the O&M contractor. In 2012 its workforce were 378. As of February 10, 2014, SLPGC has 40 employees while the Company's other subsidiaries, namely: SIPDI, SCI, SEUI, SBPGC, and SRPGC are non-operational, hence, no employees were hired.

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

(xv) Major Risks. - Major business risks are operational, regulatory, and financial risks. For Financial Risk Management Objectives and Policies, please see details in Note 28 to the Audited Consolidated Financial Statements. The operational and regulatory risks are being mitigated by the company's compliance to its IMS Policy which is ISO certified. Its Integrated Management System (IMS) covers the following: Quality Management System (ISO9001:2008), Environmental Management System (ISO 14001:2004) and Occupational, Health and Safety System (OHSAS 18001:2007). The Company is ISO certified since 2008. Meanwhile, its power subsidiary mitigates its business risks by employing equipment redundancy to manage the risk of prolonged unplanned shutdowns and by securing business interruption insurance for its power plants.

B. DESCRIPTION OF PROPERTY

(1) Property. - The mine site located in Semirara Island, Caluya, Antique, is part of the coal mining reservation under Proclamation No. 649 issued by then President Manuel L. Quezon on November 20, 1940. Certain areas in the mine site are leased with rental payments of ₱6.18 million for 2013.

The infrastructures and road network, office administration buildings, and power plants, are some of the improvements made by the Company on the leased area, as well as the following:

a. Building/Offices:	**Units**		**Units**
Administration Building	1	MS1 near Hospital	1
Analab Building	1	MS2 Building	1
Briquetting Building	1	MS4 Building	1
Civil Works Office & Warehouse	1	MS5 Building	1
Coal Power Plant	1	MS7 Building	1
Coal Silo	4	Oxygen/Acetylene Building	2
Core House	1	Panama Complex	1
CRO Office	1	Pitshop	1
Diesel/Bunker Power Plant	1	Product Office	1
Drilling shop	1	RMO Office	1
Genset Shed at CPP	1	Sand Blasting Plant	1
HRD Office & Library	1	Shipping Office	1
Humic Acid Plant	1	Splicing Building	1
Lime Plant	1	Tire Shop	1
Magazine Building	3	Warehouse	1
Main Workshop	1	Warehouse Auxiliary Building	1
Mayflower Motorpool	1	Washing Plant Office	1
Motorpool	1		

b. Housing:	**Units**		**Units**
Altar Boys Quarter	1	Lebak Housing	145
Group Staff House	2	Molave Housing (Laborer's Unit)	911
Individual Staff House	3	Pinatubo Housing	51
Kalamansig Housing	78	Staff House at Tabunan	2
Laborer’s Clusters 1-7	58	Waffle Crete Building	2
Altar Boys Quarter	1	Lebak Housing	145

c. Others:	**Units**		**Units**
Classrooms for Bunlao Elem School	6	Messhall at Tabunan	1
Classrooms for Mother School	10	Messhall at waffle crete	1
Classrooms for Semirara High School	12	Mix Commercial Building	3
Classrooms for Tinogboc ElemSchool	10	Multi-purpose Gym	3
Classrooms for Villaresis Elem School	4	Multi-purpose Hall at Bunlao	1
Coast Guard Building	1	Multi-purpose Hall at Phase 1	1
Commissary Building	1	Multi-purpose Hall at Phase 4	1
Commuter terminal	1	ONB ATM Machine Building	1
Covered tennis court	1	ONB Semirara Branch	1
Divine Word School of Semirara	4	Oval at Pinagpala Area	1
DWSSI Gym	1	Pall Water Filtration Plant	1
Foodcourt	1	Pottery Building	1
Gantry at Mayflower	1	Pump house & landscaping	1
Gantry at MWS	1	Semirara Airstrip	1
Grotto	1	Semirara Library Hub	1
Guadalupe Church	1	Semirara Plaza	1
Hangar	3	Semirara Training Center (STCI)	3
HTPC Convent	1	Sitio Villaresis pier	1
Ice Plant	1	Slaughter House	1
Material Recovery Facility	1	Slipway	1
Messhall 1	1	SMC Infirmary	1
Messhall at Cluter 5	1	Smart Site Tower	1
Messhall at Cluter 7	1	Tabunan Hatchery & Laboratory	1

All properties with the net book values are active assets. These are all located in Semirara Island, Caluya, Antique (mine site). All properties are free of any liens and encumbrances except some mining equipment used as collateral for the Company’s loans. The Company also invested in mining and other equipment worth ₱1.050 billion, ₱1.683 billion, and ₱2.043 billion for 2013, 2012 and 2011, respectively.

On the other hand, its power subsidiary, SCPC owns the following equipment, structures, buildings and improvements located over parcels of land subject of a lease contract for 25 years from the Power Sector Assets Liabilities and Management Corporation (PSALM) at Calaca, Batangas with rental payments of ₱150.57 million to cover the entire duration of the lease:

1. 2x300 MW units of the Calaca Power Plant with its major components and accessories
2. Staff Housing Units
3. Guest House
4. Pier
5. Conveyor Unloading System
6. Coal Stockyard
7. Administrative Building
8. Motorpool

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

(2) Mining and Oil Companies. - The mining claims are located in Semirara Island, Caluya, Antique covering an area of 3,832 hectares. On March 10, 1999, the Company was granted an Exploration Permit for a period of two years and renewable for a like period for a maximum of 6 years. The Exploration Permit is for limestone, silica and other quarry minerals. On June 28, 2004, the Mines & Geoscience Bureau issued a renewal of the permit. The Company during the term of the Exploration Permit undertook geological mapping, rock sampling and analysis and beneficiation testing. The preliminary exploration conducted by the Company indicates a considerate resource of limestone, silica and clay with potential commercial value. As of December 31, 2013, the Company's application to convert its Exploration Permit to Mineral Production Sharing Agreement (MPSA) remains pending with the Mines & Geosciences Bureau.

Meanwhile, on September 10, 2012 the Technical Report on Bobog Coal Deposit was released, which showed a resource estimates of 27.5 million metric tons of measured and 9 million metric tons of indicated in situ coal in Bobog mine. The coal resource is contained in 26 seams but only 19 were considered in the estimate as mineable due to thickness, quality and consistency factors. Of the 19 seams, 12 attained thickness greater than 3 meters and occasionally up to 20 meters. The coal resource has a heating value ranging from 6,930 to 10,149 BTU/lb, with a mass-weighted average of 9,500 BTU/lb. Under the ASTM classification of coal by rank, the seams in Bobog range from Sub-bituminous B to Sub-bituminous A. Eleven (11) major and thirty seven (37) minor coal seams have been interpreted and correlated from the Bobog drillholes. The major coal seams are seams 10, 22, 23, 31, 32, 33, 41, 42, 43, 44, and 45. A coal seam is categorized as major seam if it contains at least one million metric tons of coal resources. Intersected thiCkness of major seams ranged up to 25 meters. The Bobog database for most of the major seams is highly robust, especially in portions where resource is large. A total of 2,834 rows of data from the Bobog drillholes were reviewed. The major seams have significant data coverage. For minor seams, the database is not as robust because only few drillholes intersected them, and for this reason in-fill drilling is recommended. As of December 31, 2013, development and mining preparatory activities such as construction of access roads, pier and other mining facilities are ongoing. The Company estimates first initial production by last quarter of 2014.

C. LEGAL PROCEEDINGS

The following are the existing legal cases of the Company:

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

   On August 28, 1984, HGL entered into a Forest Land Grazing Lease Agreement (FLGLA No. 184) with the Department of Environment and Natural Resources ("DENR") covering a 367-hectare land located at the barrios of Bobog and Pontod, Semirara, Antique. In its Order dated December 6, 2000, the DENR cancelled FLGLA No. 184 explaining that the subject area is within the coverage of Proclamation No. 649, which set apart the island of Semirara in the Province of Antique as coal mining reservations. HGL filed a letter requesting a reconsideration of the Order but the request was denied in the DENR's letter-Order dated December 9, 2002.

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

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

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

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

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

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

The Culasi Case:
HGL also filed a separate case against the Company on November 17, 2003 in Branch 13 of the Regional Trial Court of Culasi, Antique (RTC-Culasi) for the recovery of their alleged possession of a 367-hectare land located at the barrios of Bobog and Pontod, Semirara, Antique. HGL prayed for (i) the issuance of a preliminary mandatory injunction in order to secure immediate possession of the property pending litigation, and (ii) actual, moral and exemplary damages and attorney's fees in the total amount of P10 million. The Company received the summons on January 15, 2004.

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

On September 16, 2004, the RTC-Culasi granted HGL's prayer for preliminary mandatory injunction, which order was affirmed by the CA-Cebu. The Company elevated the case to the SC by way of Certiorari with prayer for Temporary Restraining Order (TRO) and/or Injunction to be issued against HGL, the CA-Cebu and RTC-Culasi. The SC initially granted the TRO on March 2, 2005, but on December 06, 2006, the SC denied the Company's Petition for Certiorari and lifted the TRO. On January 18, 2007, the Company filed a Motion for Reconsideration and later on January 25, 2007 due to the ruling by the CA in the Caloocan Case filed a Supplemental Motion

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

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

Thereafter, on February 5, 2008, HGL filed before the SC a Petition for Indirect Contempt docketed as "*HGL Development Corporation, represented by its President, Henry G. Lim, Petitioner vs. Hon. Rafael L. Penuela, in his capacity as Presiding Judge of RTC-Culasi, Antique, Branch 13, and Semirara Coal Corporation (now Semirara Mining Corporation, Respondents*," SC G.R. No. 181353. HGL alleged, among others, that the dismissal of the Culasi case constitutes indirect contempt as HGL was not able to implement the SC's decision dated December 6, 2006 (affirming the earlier order of RTC-Culasi granting HGL's prayer for preliminary mandatory injunction) and resolution dated February 14, 2007, as RTC-Culasi dismissed the main case or the Culasi case on the ground of forum shopping. The Company filed its Comments/Opposition to the Petition. Subsequently, the SC required the parties to submit their respective Memoranda. The case is pending to date.

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

   2.1. *CTA Case No. 7717.* – On October 13, 2009, the CTA rendered a Decision granting the Company's petition in the amount of ₱11,847,055.07 for the month of December 2005. The CIR moved for reconsideration. After the Company filed its comment on November 21, 2009, the CTA on August 10, 2010 issued a Writ of Execution on its decision dated October 15, 2009. The Writ of Execution was served to BIR on August 13, 2010. Notwithstanding this, the Company's tax credit certificate remained pending with the BIR.

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

   2.3. *Commissioner of Internal Revenue vs. Semirara Mining Corporation, SC G.R. No. 202922 (CTA EB No. 772).* – On February 10, 2011, the CTA granted the Company's petitions in the amount of ₱86,108,626.10 for the period covering January 1, 2006 to June 30, 2006. On February 22, 2011, as CIR's Motion for Reconsideration was denied, it elevated the case to the CTA *En Banc (CTA EB No. 772)*, but was by the CTA *En Banc* on June 22, 2012. The CIR filed a Motion for Reconsideration but was again denied by CTA on September 17, 2012. The CIR elevated the case to the Supreme Court (SC) via a Petition for Review on November 5, 2012, but was denied in a minute resolution dated January 30, 2013. On October 10, 2013 an Entry of Judgment was issued. The Corporation filed its Motion for Issuance of a Writ of Execution with the CTA which was granted on January 21, 2014.

   2.4. *Commissioner of Internal Revenue vs. Semirara Mining Corporation, SC G.R. No. 202922 (CTA EB No. 793).* - On March 28, 2011, the CTA grated SMC's petition in the amount of P77,253,245.39 for the periods covering July 1, 2006 to December 31, 2006. The CIR's Motion for Reconsideration was denied on June 3, 2011. The CIR elevated the case to the CTA *En Banc (CTA EB 793)*, but the CTA dismissed the petition on April 23, 2012 for lack of merit. As the CIR's Motion for Reconsideration was likewise denied on May 29, 2012, it filed a petition with the Supreme Court. The Corporation filed a Comment on December 28,

2012 to the CIR's Petition. On October 25, 2013, the SC issued a notice grating the CIR's Motion to Admit Reply and a copy of the Reply. The case remains pending to date.

3. ***SMC vs. Municipality of Calaca, RTC- Makati City, Branch 137, Civil Case No. 07-180*** (Business Tax Case). - On February 26, 2007, the Company filed a complaint () to seek the reversal and cancellation of the tax assessment by the Municipality of Calaca for unpaid business tax for the CY 2003, 2004 and 2005 in the amount of ₱66,685,189.00. The basis of the claim is that since coal is being delivered to the port of Calaca and that the Company is doing business there as shown by the existence of an office; therefore, the situs of taxation is in Calaca. The Company maintains that it is not maintaining an office in the Municipality of Calaca, despite delivery to NPC-Calaca, hence the proper situs of taxation is not in Calaca but in its principal office. The Corporation presented all its witnesses and submitted its formal offer of documentary exhibits. Subsequent hearings will be for presentation of defendant's evidence.

4. ***Municipality of Caluya, Antique vs. SMC, RTC-Culasi, Branch 13, Civil Case No. C-051 (***Real Property Tax Case). - On February 19, 2008, the Municipality of Caluya Antique filed a case against the Company for enforcement of the compromise agreement submitted to the RTC on November 17, 2003 involving the balance of ₱82,979,702.24 in real property taxes for lots located in Semirara Island. The Company maintains that the Motion for Execution has no legal basis and premature due to a clause in the compromise agreement requiring the parties first determines the correctness of the tax assessments which shall be subject to the verification of the parties. The parties submitted on October 11, 2012 a Compromise Agreement dated July 2, 2012 for approval of the Court. To date the Court has yet to issue an order approving the Compromise Agreement.

5. ***Power & Synergy, Inc. vs. SMC, et. al, RTC-QC, Branch 97, Civil Case No. Q-10-66936 (***Specific Performance Case). – The complaint alleges fraudulent acts against the Company and its directors and officers, and prayed that defendants jointly and severally perform and comply with the terms and conditions under the Consultancy Agreement. PSI is in effect claiming a success fee of ₱1.3 billion (due to increase in coal volume sold to NPC) by the end of 2010. On June 2, 2010, moved for the dismissal for lack of jurisdiction over the case, improper venue in so far as other individual defendants are concerned, and the complaint states no cause of action. The RTC required PSE to pay the correct docket fees, but PSI moved for reconsideration. To date, the Court is yet to rule on both motions of the Corporation and PSI.

6. ***Gabinete, et. al. vs. SMC, et. al, Civil Case No. 210-C, MCTC-Pandan, Antique*** (Forcible Entry Case). – The complaint hinges from the alleged entry of the Company to a portion of plaintiffs' properties located in Barangay Alegria, Caluya, Antique. Plaintiffs' prayed to the Court to order defendants to vacate the properties and pay damages and attorney fees. On March 10, 2014 the Corporation submitted its affidavits and position paper..

7. ***Gabinete, et. al. vs. SMC, et. al., Civil Case No. C-260, RTC-Culasi, Antique, Branch 13*** (Annulment of Deeds of Sale Case). – The complaint seeks the annulment of deeds of sale plaintiff executed with the defendant George G. San Pedro covering parcels of land located in Brgy. Alegria, Caluya, Antique due to alleged unsound mind of the plaintiff at the time of execution. After defendants filed their answer, the RTC scheduled the pre-trial conference on February 10, 2014.

8. ***Bornea, Jr., vs. SMC, et. al., NLRC-Cagayan de Oro City, NLRC Case No. RAB-IX-11-00663-11*** (Illegal Dismissal Case). - This is an illegal dismissal case filed by Engr. Bornea docketed as with the Arbitration Branch of Davao seeking for his reinstatement as the Foreman Supervisor of the Company's mining facility in Caluya, Antique. Bornea alleged that there was no justifiable ground to dismiss and that due process was not observed. On April 24, 2012, the Labor Arbiter resolved to dismiss the complaint for lack of merit. Bornea appealed the case, but the NLRC-Cagayan de Oro City likewise dismissed the appeal for lack of merit in its Decision dated December 28, 2012. On February 19, 2013, Bornea moved to reconsider the NLRC decision, but the NLRC in its Resolution dated March 27, 2013 dismissed the motion for lack of merit. Despite this, Bornea filed with the CA a Petition for Certiorari under Rule 65. The same remains pending to date.

9. ***Semirara Mining Corporation vs. Bureau of Internal Revenue, et. al., Civil Case No. 13-1171, RTC-Makati, Branch 146*** (Declaratory Relief with Injunction against BIR, etc.). – This is a case

filed by the Corporation against the BIR, Bureau of Customs & Department of Finance under Civil Case No. 13-1171, RTC Makati Br. 146. On May 21, 2013 SMC was granted a Certificate of Qualification for Tax Exemption under PD 972 by the DOE for its 36,000,000 liters of diesoline. SMC made 1st partial shipment of 6,176,367 liters. BIR assessed VAT and excise tax on said shipment in the amount of P25 M which was paid under protest. As a result SMC filed a petition for Declaratory Relief with the RTC on October 3, 2013 seeking to enjoin BIR, BOC from implementing BIR RR No. 2-2012 by imposing advance payment of VAT on SMC importation of diesel fuel for its own use and consumption. BIR rationalizes its issuance of RR No. 2-2012 for the purpose of curtailing smuggling. While under said regulations payment of VAT is subject to right of refund by SMC (effectively 0% rated) being exempted from VAT under its COC and PD 972, SMC contested the application of said regulation as it effectively diminishes its exemption granted by law and impairs the rights under its COC pursuant to the non-impairment clause of the Constitution. On October 30, 2013, SMC secured a 20-day TRO and on November 21, 2013 the court issued a preliminary injunction against the BIR, BOC and DOF in so far as the implementation of said regulation specifically against the Corporation. To date the case remains pending.

10. ***Fajardo vs. Semirara Mining Corp., et. al., Civil Case No. C-271, RTC-Culasi, Antique, Branch 13*** (Environmental Case (Writ of Kalikasan). – Was filed pursuant to Supreme Court A.M. 09-6-8-SC on Rules of Procedures for Environmental Cases (Rules). Complainant prayed for Temporary Environmental Protection Order (TEPO) for 72 hours from receipt of the complaint for the alleged irresponsible coal mining, serious destruction of the island, pollution of marine and coral reefs, damage to marine life, among others. Defendants filed their respective answer, but no TEPO has been issued by the RTC to date.

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

PART II – SECURITIES OF THE REGISTRANT

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

(1) Market Information

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

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

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

The market capitalization of the Company as of end-2012, based on the closing price of ₱233.40 is approximately ₱83.1 billion. As of March 31, 2014, the Company's capitalization stood at ₱146.06 billion based on the ₱410.00/share closing price.

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

	High	Low	Close
2014			
Jan-Mar[3]	418.00	281.00	387.00
2013			
Jan-Mar	267.40	220.00	267.40
Apr-Jun	305.80	225.00	276.80
Jul-Sep	265.00	222.60	240.00
Oct-Dec	306.00	240.40	288.00
2012			
Jan-Mar	252.00	211.00	244.80
Apr-Jun	257.80	200.00	218.20
Jul-Sep	236.00	214.40	222.00
Oct-Dec	234.00	217.00	233.40
2011			
Jan-Mar	244.00	180.00	226.80
Apr-Jun	237.00	187.00	213.40
Jul-Sep	241.40	161.10	186.50
Oct-Dec	226.00	170.00	221.40

(2) **Holders.** – As of March 10, 2014 the Company has 664 shareholders, with 356,250,000 common shares issued and outstanding.

Title Of Class	Name	Number Of Shares Held	% of Total
Common	DMCI Holdings, Inc.	200,647,533	56.32
Common	PCD Nominee Corp. (Filipino)	48,243,331	13.54
Common	Dacon Corporation	43,608,509	12.24
Common	PCD Nominee Corp. (Foreign)	42,378,964	11.90
Common	Others	21,371,663	06.00

Names of Top Twenty (20) Stockholders as of March 10, 2014:

No.	Name of Stockholders	No. of Shares	Percentage[4]
1.	DMCI Holdings, Incorporated	200,647,533	56.32
2.	PCD Nominee Corp. (Filipino)	48,243,331	13.54
3.	Dacon Corporation	43,608,509	12.24
4.	PCD Nominee Corp. (Foreign)	42,378,964	11.90
5.	National Development Company	11,364,658	3.19
6.	DFC Holdings, Inc.	6,614,003	1.86
7	Fernwood Investments, Inc.	796,334	0.22
8.	Privatization and Management Office	769,450	0.22
9.	Double Spring Investments Corp.	449,664	0.13
10.	Guadalupe Holdings Corp.	348,372	0.10
11.	Augusta Holdings, Inc.	253,475	0.07
12.	Berit Holdings Corporation	150,937	0.04
13.	Meru Holdings, Inc.	115,600	0.03
14.	Cobankiat, Johnny O.	92,920	0.03
15	Freda Holdings, Inc.	91,691	0.03
16.	Vendivel, Olga P.	80,000	0.02
17.	Garcia, Jaime B.	40,030	0.01
18.	Windermere Holdings, Inc.	35,077	0.01
19.	Fernwood Investments Inc.	28,109	0.01
20.	Teng, Ching Bun	15,000	0.00

[3] As of March 10, 2014.
[4] Based on the Corporation's issued and outstanding shares recorded with its Stock and Transfer Agent.

(i) The table sets forth the record or beneficial owners of more than 5% of the outstanding common shares of the Corporation, which are entitled to vote and the amount of such record or beneficial ownership as of March 10, 2014:

Title Of Class	Names	No. Of Shares	% of Total
Common	DMCI Holdings, Inc.	200,647,533	56.32
Common	PCD Nominee Corp. (Filipino)	48,243,331	13.54
Common	Dacon Corporation	43,608,509	12.24
Common	PCD Nominee Corp. (Foreign)	42,378,964	11.90

(ii) each director and nominee

Office	Names
Chairman	David M. Consunji
Vice-Chairman/CEO	Isidro A. Consunji
President/COO	Victor A. Consunji
Director	Cesar A. Buenaventura
Director/Resident Manager	George G. San Pedro
Director	Jorge A. Consunji
Director	Herbert M. Consunji
Independent Director	Victor C. Macalincag
Independent Director	Federico E. Puno
Director	Ma. Cristina C. Gotianun
Director	Ma. Edwina C. Laperal

(iii) all directors and officers as a group, and the registrant's present commitments to such persons with respect to the issuance of any class of its common equity.[5]

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership			Citizenship	%
		Direct	Indirect[6]	Total		
Common	David M. Consunji	12	202	212	Filipino	0.00
Common	Isidro A. Consunji	2,012	323,306	325,318	Filipino	0.09
Common	Cesar A. Buenaventura	6,010	-	6,010	Filipino	0.00
Common	Victor A. Consunji	12	527,138	527,150	Filipino	0.15
Common	Jorge A. Consunji	12	8,262	8,274	Filipino	0.00
Common	Herbert M. Consunji	23,060	-	23,060	Filipino	0.01
Common	Victor C. Macalincag	271,630	7,000	278,630	Filipino	0.08
Common	George G. San Pedro	40,030	-	40,030	Filipino	0.01
Common	Federico E. Puno	60,010	-	60,010	Filipino	0.02
Common	Ma. Cristina C. Gotianun	119	379,098	397,098	Filipino	0.11
Common	Ma. Edwina C. Laperal	349	423,398	423,398	Filipino	0.12
Common	Jaime B. Garcia	48,036	-	48,036	Filipino	0.01
Common	Nena D. Arenas	800	-	800	Filipino	0.00
Common	Antonio R. Delos Santos	5,000	-	5,000	Filipino	0.00
Common	Jose Anthony T. Villanueva	250	4,630	4,880	Filipino	0.00
Common	Denardo M. Cuayo	1,500	-	1,500	Filipino	0.00
Common	Sharade E. Padilla	600	90	690	Filipino	0.00
Aggregate Ownership of all directors and officers as a group		459,442	1,691,122	2,150,564	Filipino	0.60

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

[5] See also the beneficial ownership under Part IV(C)(2), pg. 41.
[6] Shares are either held by members of the family sharing the same household or by a corporation of which the reporting person is a controlling shareholder.

Year	Board Approval	Nature	Dividend/Share	Record Date	Payment Date
2012	4-30-2012	Cash	₱12.00	5-29-2012	6-25-2012
2013	4-30-2013	Cash	₱12.00	5-17-2013	5-29-2013

(4) **Recent Sales of Unregistered Securities.** - No unregistered securities were sold in 2013, 2012 and 2011.

(5) **Minimum Public Ownership Report.** – Pursuant to the requirement of the Philippine Stock Exchange, particularly Section 3, Art. XVIII of its Continuing Listing Requirements Listing and Disclosure Rules, the Company's minimum public ownership as of December 31, 2013 is 27.49%.

PART III - FINANCIAL INFORMATION

A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(YEARS 2010-2013)*

Full years 2012-2013

I. PRODUCTION AND OPERATIONS

Coal

On 13 Feb 2013, at around 11:55 PM, a section of the west wall of Panian pit where the Company was concluding its mine operation gave way, affecting 13 personnel. Three have been rescued, five were confirmed dead, and five are still missing. Management immediately voluntarily stopped all mining activities in the site even before the receipt of notice from the Department of Energy (DOE) for stop operations.

On 5 March 2013, DOE issued clearance to the Company to do preparatory activies, excluding coal extraction, for the new area, the North Panian, after it has reviewed and evaluated the work program for the site.

Subsequently, on 19 April 2013, the Company received full clearance from DOE to proceed with the coal production activity. Since then, all mining operations have returned to normal.

The incident at the mine caused a a temporary slump in coal mining operations. However, mining activities were able to catch up, such that total materials moved increased 7% YoY at 82.15 million bank cubic meters (bcm) from 77.07 million bcm last year. Strip ratio increased by 20% YoY at 9.73:1 from 8.66:1 last year. The increase is mainly due to the spike in strip ratio to 18.79:1 in Q1 after the Company stopped producing coal, but continued waste stripping. Run-of-mine (ROM) coal dropped by 5% YoY at 7.86 million metric tons (MTs) from 8.24 million MTs in 2012. A significant 45% drop YoY in washable coal at 727 thousand MTs from 1.31 million MTs last year was recorded as a result of improved coal quality. Net total product coal was almost the same at 7.62 million MTs and 7.63 million MTs in 2013 and 2012, respectively.

Total volume sold increased by 1% YoY at 7.63 million MTs from 7.18 million MTs last year. Coal shipments recorded an improvement in average heating value from 9,510 btu/lbs in 2012 to 9,676 btu/lbs. Coal ending inventory dropped by 8% YoY, closing at 1.28 million MTs from 1.38 million MTs last year as a result of higher sales volume.

The table below shows the comparative quarterly production data for 2013 and 2012.

COMPARATIVE PRODUCTION DATA (in '000, except Strip Ratio)											
	Q1 '13	Q2 '13	Q3 '13	Q4 '13	YTD '13	Q1 '12	Q2'12	Q3'12	Q4'12	YTD '12	%Inc (Dec)
Total Materials (bcm)	16,001	23,575	18,081	24,492	82,149	22,303	19,273	15,666	19,830	77,072	7%
ROM Coal (MT)	820	2,403	1,858	2,779	7,861	1,805	2,220	1,739	2,472	8,236	-5%
Strip Ratio	18.79:1	9.10:1	9.02:1	8.09:1	9.73:1	11.64:1	7.97:1	8.30:1	7.38:1	8.66:1	-10%
Net TPC (MT)	900	2,278	1,762	2,674	7,615	1,651	2,089	1,579	2,337	7,657	-1%
COAL WASHING											
Washable Coal (MTs)	83	254	195	195	727	344	334	358	278	1,314	-45%
Washed Coal (MTs)	50	153	117	117	436	206	200	215	167	788	-45%
%recovery	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	
Beg. Inventory (MTs)	1,383	460	1,137	1,311	1,383	992	950	963	1,276	992	39%
End Inventory (MTs)	460	1,137	1,311	1,277	1,277	950	963	1,276	1,383	1,383	-8%

Power

Total energy generation posted a record high in 2013 at 3,460 GWh, the highest in the history of the Calaca Coal Fired Thermal Power plants , posting a 46% YoY from 2,365 GWh in 2012.

Lower maintenance outage offset high forced outage of Unit 1 , raising total operating hours at 7,292 , 83% YoY from 2,697 hours in 2012 . Moreover, raised capacity of Unit 1 offset the lower dependable capacity of Unit 2, bringing average capacity to 501 MW from 446 MW last year.

Unit One

There is a notable improvement in 2013 as compared to previous year's performance. Average load of 229 MW is 16% above 2012's average load of 197 MW. This is primarily due to an increase in capacity ranging between 230 to 245 as a result of the use of Nalco Soot Remove 9F.

With higher operating hours at 7,292 hours, total generation is 1,667 Gwh, recording a 214% increase YoY compared to 2012's gross generation of 531 Gwh .

Capacity factor of 64% posted a significant 215% increase YoY from only 20% in 2012 as preventive maintenance of the plant drove availability down to 31% or operating hours of only 2,697.

Forced outage was high at 21% due to a leak in the condenser in Q2 and Q4 of 2013 caused by clogging in some of the tubes raising the temperature to increase beyond manageable level resulting to pin hole leaks.

To ensure that the sea water intake is free from any debris which may potentially cause another tube clogging incident, a preventive multi-layered net at sea and took on an active role in educating the neighboring communities on waste management.

Unit Two

The planned maintenance shutdown in December 2012 included six critical items, of which only five were executed. Replacement of Heaters 7 and 8 was deferred due to technical issue.

As a result, load was limited to 272 MW out of the rated capacity of 300 MW. This is however 9% higher than average capacity of 249 MW in 2012.

Despite the above limitation, gross generation posted a 2% increase YoY at 1,971 Gwh from 1,932 GWh in 2012.

Availability was however lower at 83% as against 88% in 2012.

The table below shows the comparative production data in 2013 and 2012.

COMPARATIVE PLANT PERFORMANCE DATA
FY2013 VS FY2012

	Q1'13	Q2 '13	Q3 '13	Q4 '13	FY'13	Q1 '12	Q2'12	Q3'12	Q4 '12	FY'12	% Inc (Dec)
Gross Generation, *Gwh*											
Unit 1	466	358	520	323	1,667	-	-	128	403	531	*214%*
Unit 2	351	525	512	584	1,971	473	478	508	473	1,932	*2%*
Total Plant	**816**	**884**	**1,032**	**907**	**3,638**	**473**	**478**	**636**	**876**	**2,463**	***48%***
% Availability											
Unit 1	95%	70%	98%	70%	83%	0%	0%	36%	87%	31%	*171%*
Unit 2	63%	86%	84%	97%	83%	88%	88%	92%	86%	88%	*-6%*
Total Plant	**79%**	**78%**	**91%**	**84%**	**83%**	**44%**	**44%**	**64%**	**86%**	**60%**	***39%***
Capacity Factor											
Unit 1	72%	54%	78%	49%	63%	0%	0%	19%	61%	20%	*215%*
Unit 2	54%	79%	77%	89%	75%	72%	72%	77%	72%	73%	*2%*
Total Plant	**63%**	**67%**	**78%**	**0%**	**69%**	**36%**	**36%**	**48%**	**67%**	**47%**	***48%***

II. MARKETING

Coal

Higher sales to power plants and exports offset drop in sales to cement plants and other industries. Total coal sales volume increased by 6% YoY at 7.63 million MTs from 7.18 million MTs last year.

The table below shows the comparative quarterly sales volume data for 2013 and 2012.

COMPARATIVE SALES VOLUME DATA
(in '000 MTs)

CUSTOMER	Q1 '13	Q2 '13	Q3 '13	Q4 '13	YTD '13	%	Q1 '12	Q2 '12	Q3 '12	Q4 '12	YTD '12	%	%Inc (Dec)
Power Plants													
Calaca	608	523	582	420	2,132	28%	205	285	545	456	1,492	21%	*43%*
Other PPs	256	216	159	159	790	10%	325	382	203	126	1,037	14%	*-24%*
TOTAL PPs	**864**	**739**	**740**	**578**	**2,922**	**69%**	**531**	**667**	**748**	**582**	**2,528**	**63%**	***16%***
Other Industries													
Cement	361	196	261	161	980	13%	272	338	224	220	1,053	15%	*-7%*
Others	92	89	68	79	328	4%	98	105	128	98	430	6%	*-24%*
Total Others	**454**	**285**	**329**	**240**	**1,308**	***17%***	**370**	**443**	**352**	**318**	**1,482**	***21%***	***-12%***
TOTAL LOCAL	**1,318**	**1,024**	**1,070**	**818**	**4,230**	55%	**901**	**1,110**	**1,100**	**900**	**4,011**	56%	***5%***
EXPORT	461	556	497	1,887	3,401	45%	771	946	146	1,310	3,173	44%	*7%*
GRAND TOTAL	**1,778**	**1,581**	**1,567**	**2,705**	**7,631**	**100%**	**1,672**	**2,056**	**1,245**	**2,211**	**7,184**	**100%**	***6%***

Sales to SCPC increased by 43% YoY at 2.13 million MTs from 1.49 million MTs last year as a result of increased capacity and availability of both power units after rehabilitation.

On the contrary, sales to other power plants dropped by 24% YoY at 790 thousand MTs from 1.04 million MTs last year. Drop in global coal prices encouraged some customers to import cheap coal from offshore market. Moreover, a customer has an outstanding shipping contract that it must utilize to transport coal from Indonesia.

Sales to cement plants likewise dropped 7% YoY at 980 thousand MTs from 1.05 million MTs due to decrease in offtake by a few customers this year.

Despite tapping two new customers this year, sales to other industries also dropped by 24% YoY at 328 thousand MTs from 430 thousand MTs. Some old customers decreased their offtake.

Strong export sales in the last quarter drove export share to 45% of the total pie this year. Total export sales of 3.40 million MTs is 7% higher than last year's 3.17 million MTs. Mining operations are concentrated in the area where coal quality is better, commanding higher export prices.

The 10% YoY decrease in composite average FOB price per MT at PHP2,185 from PHP2,454 last year reflected the drop in global coal prices.

POWER

Sales volume increased by 46% YoY at 3,460GWh from 2,365GWh in 2012. This is attributed to the higher energy generation of the newly rehabilitated power plants.

Of the total energy sold, 96% or 3,313 GWh were sold to bilateral contracts, while the remaining 4% were sold in the spot market.

Sales to bilateral contracts increased by 65% YoY at 3,313 GWh from 2,007 GWh in 2012. The improvement is due to increase of contract quantities for MERALCO from the initial 210 MW to 420 MW starting 31 January 2013, and the additional 30 MW non-firm contract capacity for TRANS-ASIA. The non-firm additional contract capacity arrangement with Trans-Asia which is effective starting 16 February 2013, enables SCPC to sell its excess capacity at any given time.

MERALCO maintained to be the biggest customer of SCPC comprising 87% share of the total energy sales for SCPC's bilateral contracts, followed by Trans-Asia and Batelec I at 7% and 5% shares, respectively.

Spot market sales volume is lower at 148GWh in 2013 against 358 GWh in 2012. However Spot Sales Revenue in pesos is higher by 30% in 2013 vs 2012 due to the increase in the spot market prices in Q4.

Of the total energy sold, 99% was sourced from own generation and only 1% was purchased from the spot market. SCPC procured power from the spot market during hour intervals where power units were down, or were running at a derated capacity, in order to supply committed capacity to some of its customers. Contracts with some of its customer still cover the supply of replacement power under a "pass-thru" cost arrangement.

SCPC bilateral contracts yielded lower prices at an average price of PHP3.79 per KWh in 2013 compared to the PHP3.97 per KWh in 2012. This is due to lower prices of pass-thru coal fuel being indexed to the lower Newcastle prices in 2013.

On the other hand, average spot sales increased by 215% YoY at PHP14.98 per KWh from PHP4.75 per KWh in 2012. High spot prices in November and December pulled up price per KWh.

The table below shows the comparative sales volume data in 2013 and 2012.

COMPARATIVE SALES VOLUME DATA
(in GWh)

CUSTOMER	Q1 '13	Q2 '13	Q3 '13	Q4 '13	FY'13	Q1 '12	Q2'12	Q3'12	Q4'12	FY'12	% Inc (Dec)
Bilateral Contracts	751	838	966	757	3,313	489	427	518	573	2,007	65%
Spot Sales	20	10	17	100	148	1	1	79	278	358	-59%
GRAND TOTAL	**771**	**849**	**983**	**858**	**3,460**	**489**	**428**	**597**	**851**	**2,365**	**46%**
Composite Ave Price	**3.89**	**3.91**	**3.66**	**5.65**	**4.26**	**4.14**	**4.41**	**3.73**	**4.15**	**4.09**	**4%**

III. FINANCE

A. Sales and Profitability

Consolidated Revenues, net of eliminating entries, grew by 13% YoY at PHP27.33 billion as against PHP24.15 billion in 2012. Coal Revenues, before elimination, dropped by 5% YoY at PHP16.68 billion from PHP17.63 billion in 2012 due to lower coal prices this year. On the other hand, energy Revenues increased by 52% YoY at PHP14.76 billion from PHP9.7 billion last year as a result of the 46% increase in energy sales volume and 4% increase in average price per KWh.

Consolidated Cost of Sales decreased by 4% YoY at PHP14.11 billion from PHP14.64 billion last year.

Coal Cost of Sales before elimination declined by 5% YoY at PHP11.73 billion from PHP12.33 billion last year. Strip ratio normalized as at the end of the period from a historical high in Q1 as a result of the accident at the pit that temporarily halted coal extraction. Moreover, the Company implemented some cost-saving measures to counter the drop in coal prices, mining strategy only required shorter hauling distance in North Panian while in-pit dumping allows the mine to decrease number of equipment while maintaining the same excavating capacity, thus 29 units of mining were put on stand-by. Net of elimination, Cost of Coal Sold also dropped by 12% YoY at PHP8.66 billion from PHP9.83 billion last year. Cost of Coal Sold per MT decreased by 10% YoY at PHP1,537 versus PHP1,716 last year.

Power Cost of Sales before elimination increased by 17% YoY at PHP6.51 billion from PHP5.55 billion; and 18% after elimination at PHP4.42 billion from PHP3.75 billion last year. Increase in volume sold accounted for the increase in total cost. Notably, Cost of Sales per KWh decreased by 25% at PHP1.88 from PHP2.35 last year due to minimal spot purchases for replacement power and lower coal fuel average cost this year.

The resulting consolidated Gross Profit in 2013 increased by 39% YoY at PHP13.22 billion with the coal and power segments each contributing PHP3.91 billion and PHP9.31 billion, respectively. Consolidated Gross Profit in 2012 stood at PHP9.51 billion, PHP4.63 billion from coal and PHP4.88 billion from power. Consolidated Gross profit margin improved at 48% from 39% last year.

Consolidated Operating Expenses increased by 55% YoY at PHP5.26 billion from P3.40 billion in 2012. Net of eliminating entries, the coal segment's Operating Expenses decreased by 17% YoY at PHP1.7 billion from last year's PHP2.0 billion. Lower coal Revenues decreased Government Share by 16% at PHP1.30 billion from PHP1.56 billion last year. Meanwhile, the power segment's Operating Expenses after elimination increased by 155% YoY at PHP3.5 billion from PHP1.4 billion last year due to acceleration of depreciation on certain equipment/components of Unit 2 whose repair are in-progress during the 90-day scheduled maintenance shutdown of Unit 2 which commenced last week of December 2013. These are to be replaced with new ones. Hence, the the carrying value of the affected equipment/components amounting to Php1.2 billion as of December 31, 2013 was fully provided with depreciation to reflect its true value in the books.

The pre-operating Southwest Luzon Power Generation Corp. (SLPGC), a wholly-owned subsidiary of the Company incorporated to expand its power capacity with the construction of 2 x 150 MW power plants, incurred PHP39.33 million pre-operating expenses, representing salaries and other administrative expenses incurred during the period. Other subsidiaries, Semirara Energy Utilities, Inc. (SEU), Semirara Claystone, Inc. (SCI) and Sem-Cal Industrial Park Developers, Inc (SCIPDI) also incurred Pre-operating Expenses of PHP100.5 thousand, PHP69.17 thousand PHP30.80 thousand for the period, respectively. Two new companies were incorporated during the period as vehicles for additional power expansion projects, they are San Rafael Power Generation Corp. (SRPGC) and Sem-Balayan Power Generation Corp. (SBPGC). Both companies incurred pre-operating expenses of PHP114.89 thousand and PHP194.62 thousand, respectively.

Consolidated Income from Operations increased by 30% YoY at PHP7.96 billion from PHP6.11 billion in 2012. The coal and power segments contributed PHP2.19 billion and PHP5.80, respectively this year, as against PHP3.30 billion and PHP2.27 billion in 2012. The other pre-operating companies, SLPGC, SEU, SCI, SCIPDI, SRPGC, SBPGC incurred losses of PHP39.33 million, PHP100.50 thousand, PHP69.17 thousand, PHP30.80 thousand, PHP114.89 thousand and PHP194.62 thousand, respectively.

As the USD strengthened against the PHP this year, the Company registered consolidated Forex Losses of PHP481.18 million as against Gains of PHP391.00 million last year. Since most of its loans are USD-denominated, bulk of the current period's Forex Losses is incurred by the coal segment which recorded PHP463.94 million losses versus last year's gains of PHP387.83 million. Of this amount, PHP305.93 million are unrealized losses. Meanwhile, with minimal Forex exposure, the power segment incurred Forex Losses of PHP15.49 million as against Gains of PHP3.17 million last year. SLPGC also recorded loss of PHP1.75 million on its foreign exchange transactions

Lower placement interest rates and lower free cash resulted to the decrease in consolidated Finance Income by 67% YoY at PHP26.80 million from PHP82.14 million last year. The coal segment's investible funds reduced after using most of its cash for equity of SLPGC and to pay off debts toward the end of 2012, thus its Finance Income decreased by 67% at PHP26.80 million from PHP82.14 million last year. The power segment's Finance Income likewise decreased by 41% at PHP24.58 million from PHP41.53 million last year after using its cash to pay dividends of PHP2.5 billion during the the period. SLPGC recorded Finance Income of PHP217.06 thousand from short-term placements.

Consolidated Finance Costs decreased by 24% YoY at PHP381.23 million from PHP501.28 million. The coal segment's interest-bearing loans increased by 31% YoY, closing at PHP6.45 billion from PHP4.91 billion, increasing coal Finance Costs by 24% YoY at PHP152.63 million from PHP122.61 million. Meanwhile, the power segment's long-term loan balance dropped by 23% YoY to PHP5.34 billion from PHP6.91 billion last yearthus bringing down power Finance Cost by 41% YoY at PHP221.61 million from PHP376.37 million last year. SLPGC incurred Finance Cost of PHP6.99 million for its project financing.

Consolidated Other Income dropped by 12% YoY at PHP281.21 million from PHP318.45 million. Bulk of last year's Other Income came from gain on sale of retired assets of the coal segment. Notably, the power segment's Other Income increased by 55% YoY at PHP203.18 million from PHP131.26 million last year.

Power Unit 2 used more unwashed coal this year, producing more fly ash which is sold to a cement company at a higher price after renegotiating the supply contract on February 2012.

The resulting consolidated Net Income Before Tax (NIBT) increased by 16% YoY at PHP7.40 billion from PHP6.40 billion. SCPC accounted for 78% of the 2013's NIBT, at PHP5.79 billion after elimination. Meanwhile, net of eliminating entries, the coal segment generated NIBTof PHP1.66 billion, while the pre-operating SLPGC, SCI, and SEU, SCIPDI, SBGPC, and SRPGC incurred losses of PHP47.86 million, PHP64.45 thousand, PHP94.73 thousand, PHP32.26 thousand, PHP191.97 thousand, and PHP112.24 thousand, respectively. Before eliminations, power and coal recorded NIBT of PHP4.73 billion and PHP5.19 billion, respectively.

Both operating business units enjoy Income Tax Holidays (ITH) as Board of Investments-registered companies. As a result, the Company accounted for consolidated benefit from deferred income taxes of PHP117.84 million, net of final income taxes and income taxes for unregistered activities of PHP5.01 million and PHP11.69 million respectively. Last year's provision totaled to PHP39.60 million.

Consolidated Net Income After Tax (NIAT) increased by 18% YoY at PHP7.53 billion from PHP6.34 billion last year. Before eliminations, coal and power recorded NIAT of PHP5.34 billion, including PHP2.5 billion dividend income from power segment, and PHP4.71billion, respectively. Meanwhile, after eliminations, the coal and power segments generated NIAT of PHP 1.80 billion, and PHP5.78 billion, respectively. SCI and SCIPDI also recorded a minimal income of PHP45.90 thousand and PHP19.65 thousand, respectively. On the other hand, SLPGC, ,SEU, SBPGC, and SRPGC incurred start-up costs of PHP47.90 million, PHP63.64 thousand, PHP192.5 thousand, and PHP112.77 thousand, respectively. Earnings per Share (EPS) correspondingly increased by 18% YoY at PHP21.11 from PHP17.85 last year.

B. Solvency and Liquidity

Consolidated net cash provided by operating activities in 2013 amounted to PHP12.65 billion. Consolidated loan availments amounted to PHP15.52 billion, inclusive of SLPGC's second and third loan drawdowns totalling to PHP6.99 billion. Meanwhile, sale of assets during the year generated PHP135.07 thousand. Net increase in other noncurrent liabilities generated PHP665.41 million, while Acquisition of a subsidiary – net of cash acquired recorded positive cashflow of PHP1.25 billion. With beginning Cash of PHP534.39 million, total consolidated Cash available the period stood at PHP28.84 billion.

Of the available cash, PHP2.45 billion was used to fund major CAPEX, PHP1.59 billion for coal segment, and PHP858 million for the power segment.

Meanwhile, loan repayments amounted to PHP10.75 billion, PHP6.38 billion and PHP 4.37 billion for coal and power, respectively.

The Company declared and paid cash dividends amounting to PHP4.28 billion in 2013.

Additions to Property, Plant and Equipment amounted to PHP8.90 billion, which is mainly composed of the construction-in progress of the 2 x 150MW CFB power plant in Calaca, Batangas and 1 x 15MW power plant for the mine operation at Semirara Island and other mining equipment and some capitalized repairs of the existing 2x300MW Calaca Power Plant during the year. Other investing activities during the period also utilized cash, namely, other CAPEX amounting to PHP4.94 million, additions to sinking fund of PHP10.81 million, and additions to exploration and evaluation assets amounting to PHP298.73 million.

After recording positive Effect of Exchange Rate Changes on Cash and Cash Equivalents of PHP9.64 million, Consolidated net cash generated during the period amounted to PHP4.28 billion. With a beginning balance of PHP534.39 million, consolidated Ending Cash closed at PHP4.82 billion, increasing by 802% YoY. The significant increase is attributed to strong cash generation of operations and the availment of scheduled loan drawdown of SLPGC which is not yet fully spent.

As a result of strong cash generation, current ratio improved at 1.48x from 0.96x in 2012.

C. Financial Condition

Consolidated Total Assets stood at PHP44.73 billion, increasing by 24% from beginning balance of PHP36.20 billion. After eliminations, the coal and power segments' Total Assets closed at PHP11.36 billion and PHP21.51 billion, respectively. SLPGC, SCI, SEU, SCIPDI, SBGP, SRPGC recorded Total

Assets of PHP11.80 billion, PHP40.61 million, PHP3.16 million, PHP2.62 million, PHP3.13 million, and PHP3.13 million, respectively.

Consolidated Current Assets closed at PHP14.80 billion, 26% higher than beginning balance of PHP11.71 billion. Coal, power, SLPGC, SCI, SEU, SCIPDI, SBPGC, and SRPGC accounted for PHP7.29 billion, PHP6.12 billion, PHP1.37 billion, PHP2.65 million, PHP 3.13 million, PHP2.62 million, PHP 3.13 million, and PHP 3.13 million, respectively.

Consolidated Cash and Cash Equivalents increased by 802% YoY at PHP4.82 billion from PHP534.39 million. The increase in Cash is mainly attributed to loan drawdown by SLPGC and cash generation from operations of the power segment.

Consolidated net Receivables also increased by 13% YoY at PHP4.03 billion from PHP3.58 billion, primarily due to high Trade Receivables of power as a result of uncollected spot revenues in November and December bringing total Trade Receivables of power to PHP3.32 billion. On the other hand Power also booked Allowance for Doubtful Accounts amounting to PHP467.43, bulk of which is the provision set up related to Spot Revenue for Nov and Dec 2013 billing affected by the TRO issued by the Supreme Court. Further, on March 11, 2014, Energy Regulatory Commission's (ERC) Order dated March 3, 2014 in ERC Case No. 2014-021 MC entitled "In the Matter of the Prices in the Wholesale Electricity Spot Market (WESM) for the Supply Months of November and December 2013, was released. Said ERC order affects SEM-Calaca Power Corporation's financial statement as well as the Corporation's Consolidated Financial Statements. However, only additional disclosure was made in the notes to financial statements considering that the Corporation is currently not able to reasonably determine with certainty the effects of the ERC order on its financial statement.

Total Receivables of power stood at PHP2.91 billion. The coal segment's Receivables of PHP1.12 billion are mainly trade related.

Consolidated Net Inventories decreased by 18% YoY at PHP4.63 billion from PHP5.66 billion in 2012. The coal segment's ending Inventory of PHP3.60 billion is mainly comprised of cost of ending coal inventory and materials, fuel and other supplies, while the power segment's Inventory of PHP1.02 billion is mainly comprised of spareparts inventory for its corrective, preventive and predictive maintenance program.

Consolidated Other Current Assets decreased by 32% YoY at PHP1.32 billion from PHP1.94 billion. The coal and power segments' Other Current Assets of PHP853.74 million and PHP436.07 million, respectively, are mainly comprised of creditable withholding taxes and advances to suppliers. SLPGC recorded Other Current Assets of PHP29.89 million mainly for Prepaid Tax.

Consolidated Non-Current Assets increased by 22% YoY at PHP29.93 billion from PHP24.48 billion. Coal, power, SLPGC, SCI and SEU accounted for PHP4.07 billion, PHP15.39 billion, PHP10.43 billion, PHP37.97 billion and PHP30.15 thousand, respectively.

Consolidated net PPE increased by 20% YoY at PHP27.29 billion from PHP22.72 billion as at end of 2012. The increase is due to new acquisitions, particularly of SLPGC, partially offset by depreciation. The equipment involved in the incident at Panian west wall were all fully depreciated. Coal, power, and SLPGC accounted for net PPE of PHP3.39 billion, PHP14.72 billion, and PHP9.18 billion, respectively.

Sinking Fund of the power segment increased by 2% YoY at PHP517.60 million from PHP508.04 million. This represents interest income earned for the equivalent of one quarter repayment posted in the debt service reserve account which is restricted in nature and placed overnight as provided for in the loan agreement covering the long-term loan of the power segment.

Exploration and Evaluation Asset of PHP348.15 is newly set-up by the coal segment accounting for pre-stripping and mine development for Bobog mine.

Consolidated Deferred Tax Assets increased 1,202% at PHP139.96 million from PHP10.75 million. This is mainly accounted by the coal segment amounting to PHP135.18 million. Power recorded PHP4.74 million covering additional provision related to pension expense, while SCI had PHP2.37 thousand NOLCO. SEU also recorded Deferred Tax Assets of PHP30.15 thousand.

Consolidated Other Non-Current Assets increased by 32% YoY at PHP1.64 billion from PHP1.24 billion as at end of in 2012. This is mainly comprised of input VAT withheld on acquisition of capital goods and services of PHP974.90 million, input VAT withheld of Php164.53 million net of impairment allowance, advances for long-term construction contracts and prepaid rent of Php448.66 million, capitalized research and development costs of Php37.96 million and other miscellaneous non-current assets amounting to Php13.70 million. Coal, power, and SLPGC accounted for Other Non-Current Assets of PHP191.53 million, PHP147.89 million, and PHP1.26 billion, respectively.

Consolidated Total Liabilities increased by 27% YoY at PHP24.60 billion from PHP19.32 billion. Coal, power, SLPGC, SCI, SEU, SCIPDI, SBPGC, and SRPGC accounted for PHP10.95 billion, PHP7.12 billion, PHP6.63 billion, PHP44.00 thousand, PHP37.57 thousand, PHP64.76 thousand, PHP27.50 thousand, and PHP27.50 thousand, respectively.

Consolidated Total Current Liabilities decreased by 18% YoY at PHP9.99 billion from PHP12.17. Coal, power, SLPGC, SCI, SEU, SCIPDI, SBPGC and SRPGC accounted for PHP6.58 billion, PHP3.18 billion, PHP234.87 million, PHP44 thousand, PHP37.57 thousand, PHP64.76 thousand, PHP27.50 thousand and PHP27.50 thousand, respectively.

Consolidated Trade and Other Payables dropped by 9% YoY at PHP6.18 billion from PHP6.81 billion beginning balance. The decrease is mainly attributed to settlements of trade payables. Coal, power, SLPGC, SCI, SEU, SCIPDI, SBPGC and SRPGC accounted for PHP4.29 billion, PHP1.66 billion, PHP234.87 million, PHP44 million, PHP37.57 million, PHP64.76 million, PHP27.5 million and PHP27.5 million, respectively.

Short-term loans increased by 842% YoY at PHP1.66 billion from PHP175.65 million beginning balance due to availment by the coal segment of short-term working capital loans during the period.

Consolidated Current Portion of Long-Term Debt dropped by 58% YoY at PHP2.15 billion from PHP5.18 billion due to debt service of maturing loan amortization and refinancing of coal segment's USD loans to take advantage of low interest rates. Coal and power segments accounted for PHP631.52 million and PHP1.52 billion, respectively.

Consolidated Total Non-Current Liabilities increased by 104% YoY at PHP14.61 billion from PHP7.15 billion due to increase in long-term debt net of current portion. Coal, power, and SLPGC accounted for PHP4.16 billion, PHP3.82 billion and PHP5.68 billion, respectively.

Consolidated Long-Term Debt increased by 95% YoY at PHP13.68 billion from PHP7.00 billion. This is primarily due to the drawdown of SLPGC from its project financing facility amounting to PHP6.99 billion, and loan availments of medium-term loans by the coal segment to fund for additional mining equipment, as well as refinancing of maturing loans. Coal, power, and SLPGC accounted for PHP4.16billion, PHP3.82 billion and PHP5.68 billion, respectively.

Provision for Decommissioning and Site Rehabilitation increased by 215% YoY at PHP196.50 million from PHP62.45 million. This accounted for coal and power provisions of PHP185.89 million and PHP10.62 million, respectively. The increase is mainly due to the coal segment’s increase in mine rehabilitation contingency.

Pension Liabilities decreased by 13% YoY at PHP31.65 million from PHP36.55 million. Coal and power recorded Pension Liabilities of PHP22.10 million and PHP9.55 million, respectively. Other non-current liabilities increased by 1148% YoY at PHP723.35 million from PHP57.94 million. The amount accounted for the payable of SLPGC retention payable on long-term contract payments to contractor for the building of the power plants.

After accounting for income generation of PHP7.53 billion and payment of cash dividends of PHP4.28 billion during the period, consolidated Stockholders’ Equity increased by 19% YoY at PHP20.13 billion from PHP16.87 billion in 2012.

Additional loan availments increased Debt-to-Equity ratio by 7% YoY at 1.22:1 from 1.15:1 last year.

IV. PERFORMANCE INDICATORS:

1. **Earnings per Share** – The continued growth in the Company's profitability is reflected in its increasing EPS. While coal showed strong performance in 2013, power was outstanding, with the reliable operations of both power plants after they have been rehabilitated. Moreover, high spot prices in November and December augmented the power segment's profitability.
2. **Debt-to-Equity Ratio** – Low DE ratio gives the Company more room to take on more debts to finance its expansion activities. Given the favorable borrowing climate, debt remains to be the cheapest funding source.
3. **Business Expansion** – The Company enjoys the unique advantage of operating coal-fired power plants using its own coal for fuel. It's integrated business provides more opportunities for synergistic growth, especially with the current investment climate where funding is cheap and power supply is tight.
4. **Expanded Market** – Higher capacity and availability of the rehabilitated power units increased requirement for Semirara coal. Moreover, new coal-fired power plants designed to use the grade of Semirara coal, including the expansion projects of the Company, are expected to come online. Meanwhile, the power supply contract with Meralco creates a reliable and stable market for the power segment being a base load plant. Moreover, the open access regime for electricity began commercial operation in June. This will provide the power segment alternative distribution outlets, such as the Retail Electricity Suppliers (RES) or large power consumers.
5. **Improved coal quality** – Quality enhancing measures are continuously implemented in the mining operations to improve customer satisfaction and maximize returns. On the other hand, low grade and washable coal are strategically used to feed power Unit 2.

V. OTHER INFORMATION:

1. There were no known trends, events or uncertainties that have material impact on liquidity.
2. The Corporation provides interim corporate suretyship in favor of the lenders of SCPC for its PHP9.6 billion 7-year loan availed on 26 May 2010. The security may however be suspended within the term of the loan when the conditions set forth in the loan contract are met. SCPC started to amortize the loan in 2011; as at end of the year outstanding balance decreased to PHP8.75 billion.
3. There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.
4. The Corporation has issued purchase orders to suppliers for mining equipment amounting to P180 million for delivery Q1 2012. Additional mining equipment worth USD7.65 million will be purchased in 2012 with various delivery dates falling on the second half 2012. Moreover a 1 x 15 MW CFB Power Plant will be constructed in Semirara Island for its mine operation, a replacement of the old unit with estimated cost of P1.2 billion. The equipment purchases will be financed with medium-term loans that match the life of the assets while the power plant will be financed via long term loan, all to be sourced from local banks.
5. For 2012, we expect an increase in the demand for Semirara Coal in the domestic market with the commissioning of new power plants and small boilers that can utilize 100% Semirara coal. This trend is expected to continue in the next two years as a result of the competitiveness of Semirara Coal over imported coal.
6. There are no significant elements of income of loss from continuing operations.
7. There were no subsequent events that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements.
8. The Group's operation is not cyclical or seasonal in nature. Mining activities is continuous throughout the year as coal production output from period to period can be adjusted through efficient mine planning on both short-term and long-term, mitigating negative impact of the rainy season to mine operations. The power generation business is also operational throughout the year as maintenance shutdown is just part of normal operation of the plant and programmed ahead of time.

Full years 2011-2012

I. PRODUCTION AND OPERATIONS

COAL

Total materials moved in 2012 decreased by 9% at 77,072,255 from 85,060,883 bank cubic meters (bcm) last year due to longer hauling cycle and lower operating days. During the year, mining operations were concentrated at the lowest level of the pit, thus resulting to longer hauling cycle. Meanwhile, total rainfall this year of 2,771 mm is 2% lower than last year.

The advance stripping activities in the previous periods benefit the current period's mining operations as activities in 2012 were more focused on coal production rather than overburden stripping. As a result, strip ratio dropped by 15% at 8.66:1 from 10.13:1 last year. This explains the 5% increase in run-of-mine (ROM) coal production at 8,235,875 metric tons (MTs) from 7,840,467 MTs last year, despite the decrease in material movement. Coal recovery improved with the sale of unwashed coal to subsidiary Sem-Calaca Power Generation Corporation (power segment) for the use of its Unit 2. Hence, net total product coal increased by 8% at 7,656,849 MTs from 7,118,460 MTs last year.

Ending inventory increased by 39% at 1,382,607 MTs from beginning inventory of 991,887 MTs also as a result of higher coal recovery.

The table below shows the quarterly comparative production data for 2012 and 2011.

COMPARATIVE PRODUCTION DATA *(in '000, except Strip Ratio)*											
	Q1 '12	Q2 '12	Q3 '12	Q4'12	YTD '12	Q1 '11	Q2'11	Q3'11	Q4'11	YTD '11	%Inc (Dec)
Total Materials (bcm)	22,303	19,273	15,666	19,830	77,072	26,850	22,294	16,120	19,797	85,061	*-9%*
ROM Coal (MT)	1,805	2,220	1,739	2,472	8,236	1,822	2,296	1,837	1,887	7,840	*5%*
Strip Ratio	11.64:1	7.97:1	8.30:1	7.38:1	8.66:1	14.03:1	9.00:1	8.06:1	9.78:1	10.13:1	*-15%*
Net TPC (MT)	1,651	2,089	1,579	2,337	7,657	1,642	2,149	1,646	1,682	7,118	*8%*
COAL WASHING											
Washable Coal (MTs)	344	334	358	278	1,314	408	313	434	470	1,625	*-19%*
Washed Coal (MTs)	206	200	215	167	788	245	188	261	282	975	*-19%*
%recovery	60%	60%	60%	60%	60%	60%	60%	60%		60%	
Beg. Inventory (MTs)	992	950	963	1,276	992	491	469	74	237	491	*102%*
End Inventory (MTs)	950	963	1,276	1,383	1,383	469	74	237	992	992	*39%*

POWER

UNIT 1

When Calaca Power Plant assets were acquired in December 2009, Unit 1 can only generate 160 MW or 53% of its rated capacity using pure Semirara Coal. The rehabilitation of the unit was centered on improving the loading capacity to at least 220 MW or 73% of its rated capacity.

The rehabilitation of the plant started in August 2011 and completed in July 2012. It took more than a year of planning to cover all major repair works. The rehab project suffered delays in the commissioning stage to ensure the safe and reliable operation of the plant. The original equipment manufacturers (OEMs), Foster Wheeler for the boiler and Toshiba for the Turbine/Generator, supervised the repair to commissioning of the Unit. Although delayed, the unit can now load 235 MW or 77% of its rated capacity, an improvement of 24% or 75 MW on pure Semirara Coal.

Generation capacity is low at 20% in the five months of running against 27% last year but the average load is significantly higher at 197 MW against 155 MW. In general, the unit is now better in terms of generation capacity and efficiency.

Unit availability was only 2,697 hours or 31% compared to 54% last year since Unit 1 was down for about 7 months during the current period due to the rehabilitation works. Total energy generated was 531 Gwh or 27% down compared to last year.

UNIT 2

Unit 2 is on its second year of operation after its rehabilitation in the last quarter of 2010.

The unit performed better this year in all aspects of operation compared to last year. Gross generation has increased by 71% or 1,932 Gwh. Unit availability improved from 60% to 88% and force outage was limited to only 12% from 36% last year. Running hours in 2012 is remarkably higher at 7,761 hours than 2011 48% increase.

Loading capacity is limited to 260 MW due to some leaks on two of its high pressure heaters 7 & 8. The average load capacity during the current period is at 249 MW or 20% more than last year.

The table below shows the quarterly comparative plant performance for 2012 and 2011.

COMPARATIVE PLANT PERFORMANCE DATA *YTD'12 vs YTD'11*											
	Q1 '12	Q2 '12	Q3 '12	Q4 '12	YTD '12	Q1 '11	Q2'11	Q3'11	Q4'11	YTD '11	%Inc (Dec)
Gross Generation, *Gwh*											
Unit 1	-	-	128	403	531	243	245	239	-	727	*-27%*
Unit 2	473	478	508	473	1,932	189	395	181	367	1,132	*71%*
Total Plant	473	478	636	876	2,463	432	641	420	367	1,860	*32%*
					-					-	
%Availability											
Unit 1	0%	0%	36%	87%	31%	70%	74%	70%	0%	54%	*-43%*
Unit 2	88%	88%	92%	86%	88%	49%	83%	37%	71%	60%	*48%*
Total Plant	44%	44%	64%	86%	60%	59%	78%	54%	35%	57%	*5%*
Capacity Factor											
Unit 1	0%	0%	19%	61%	20%	0%	0%	36%	0%	28%	*-27%*
Unit 2	72%	72%	77%	72%	73%	29%	60%	27%	56%	43%	*70%*
Total Plant	18%	18%	24%	33%	47%	17%	24%	16%	14%	35%	*32%*

II. MARKET

COAL

Total coal sold in 2012 increased by 10% at 7.18 million MTs compared to 6.52 million MTs in 2011. Q1 2012 sales of 1.67 million MTs was 2% higher than 1.64 million MTs sold in Q1 2011, however, Q2 2012 sales volume of 2.06 million MTs was 18% lower as against 2.52 million MTs in Q2 2011, while Q3 sales continued to drop by 15% at 1.25 million MTs this year from 1.46 million MTs in 2011. Q4 sales recovered with an increase of 145% at 2.21 million MTs from 902 thousand MTs last year.

The table below shows the quarterly comparative coal sales volume data for 2012 and 2011.

COMPARATIVE SALES VOLUME DATA
(in '000 MTs)

CUSTOMER	Q1 '12	Q2 '12	Q3 '12	Q4 '12	YTD '12	%	Q1 '11	Q2 '11	Q3 '11	Q4 '11	YTD '11	%	%Inc (Dec)
Power Plants													
Calaca	205	285	545	456	1,492	21%	412	320	420	256	1,408	22%	*6%*
Other PPs	325	382	203	126	1,037	14%	384	325	569	270	1,547	24%	*-33%*
TOTAL PPs	**531**	**667**	**748**	**582**	**2,528**	**63%**	**795**	**645**	**989**	**525**	**2,955**	**72%**	***-14%***
Other Industries													
Cement	272	338	224	220	1,053	15%	187	145	146	182	660	10%	*59%*
Others	98	105	128	98	430	6%	197	60	107	111	475	7%	*-9%*
Total Others	**370**	**443**	**352**	**318**	**1,482**	***21%***	**384**	**205**	**254**	**292**	**1,135**	***17%***	***31%***
TOTAL LOCAL	**901**	**1,110**	**1,100**	**900**	**4,011**	56%	**1,180**	**850**	**1,242**	**818**	**4,090**	63%	***-2%***
EXPORT	771	946	146	1,310	3,173	44%	462	1,665	218	85	2,430	37%	*31%*
GRAND TOTAL	**1,672**	**2,056**	**1,245**	**2,211**	**7,184**	**100%**	**1,641**	**2,516**	**1,460**	**902**	**6,519**	**100%**	***10%***

Sale to power plants decreased by 14% this year at 2.53 million MTs from 2.96 million MTs last year. Although Q1 and Q2 off-take of the power segment were lower this year as compared to last year as rehabilitation of Unit 1 was completed only in Q3, coal off-take increased in the second half. As a result, the power segment's total coal purchases increased by 6% at 1.49 million MTs this year from 1.41 million MTs last year. Meanwhile deliveries to other power plants dropped in the second half, resulting to a 33% drop YoY at 1.04 million MTs this year from 1.55 million MTs in 2011.

On the other hand, with three new customers this year, sales to cement plants increased by 59% at 1.05 million MTs from 660 thousand MTs last year.

The 9% drop in sales to other local customers was mainly caused by weaker purchases by some small traders in Q1 and Q4 this year. Deliveries to other industrial plants totaled to 430 thousand MTs from 475 thousand MTs in 2011.

The increase in sales to cement plants helped offset the decrease in deliveries to power plants and other industrial customers, thus softening the drop in total local sales at 2% to 4.01 million MTs this year from 4.09 million MTs in 2011.

On the other hand, export sales rebounded in Q4, bringing total exports to 3.17 million MTs this year or a 31% growth from last year's 2.43 million MTs.

All supply contracts with the Corporation are already priced at market. As a result, the drop in global coal prices brought down composite average FOB price per MT this year to PHP2,453, a 20% decrease from last year's PHP3,078.

POWER

The power segment's 2012 recorded sales for bilateral contracts increased to 2,007 GWH from 1,553GWh in 2011 or 29% improvement. This mainly came from the contract with MERALCO which was effective since 26 December 2011.

MERALCO is still the single biggest customer of the power segment in 2012, accounting for 80% share of the total energy sales to bilateral contracts. BATELEC I and Trans-Asia accounted for 12% and 6% market share, respectively, the balance is for other small contracts.

Meanwhile, spot market sales dropped by 26% from 472 GWh in 2011 to 348 GWh in 2012. The decrease in spot sales was due to the increase in contracted power which effectively reduced the excess capacity for sale in the spot market.

Total energy sold in 2012 posted at 2,355 GWh 85% directly to the customers through bilateral contracts, and 15% to the spot market. Total energy sales increased by 16% from 2,025 GWh recorded in 2011.

Of the total energy sold, 99% was sourced from the generation of the power plants, while 1% was purchased from the spot market.

Spot market prices in 2012 were more volatile compared to 2011. This is due to the abrupt forced outages and scheduled maintenance of major power plants which decreased the supply in the months of May to July 2012. Also, It was observed that the demand increased by an average of 4% in 2012. These two factors caused the increase of spot prices in the market.

In the last quarter of 2012, spot prices escalated due to the planned outages of Ilijan Block A (600 MW) and Sta. Rita Mod 30 (256 MW) amidst the increased demand as business activities stepped up until Christmas Eve. This situation in the market provided Unit 1 an opportunity to generate more Revenues as power generated during the plant's testing were sold to the spot market.

The table below shows the quarterly comparative sales volume data and composite average price for 2012 and 2011.

COMPARATIVE SALES VOLUME DATA (in GWh)											
CUSTOMER	Q1'12	Q2'12	Q3'12	Q4'12	YTD'12	Q1'11	Q2'11	Q3'11	Q4'11	YTD'11	%Inc (Dec)
Bilateral Contracts	489	427	518	573	2,007	362	457	398	336	1,553	29%
Spot Sales	0.59	1	68	278	347	94	215	75	88	472	-26%
GRAND TOTAL	**489**	**428**	**586**	**851**	**2,354**	**456**	**671**	**474**	**425**	**2,025**	**16%**
Composit Ave Price	**4.14**	**4.41**	**3.79**	**4.19**	**4.12**	**4.58**	**4.79**	**4.51**	**5.12**	**4.75**	**-13%**

III. FINANCE

A. Sales and Profitability

Consolidated Revenues, net of eliminating entries, dropped by 6% YoY at PHP24.15 billion from PHP24.81 billion last year. Although coal sales volume increased, lower composite average price/MT pulled down coal Revenues before elimination to PHP17.63 billion this year from PHP20.06 billion last year. Net of eliminations, Coal Revenues dropped by 11% YoY at PHP14.45 billion from PHP16.20 billion last year. On the other hand, higher energy generation offset the decrease in average price per kwhr caused by the decrease in international coal price index. As a result, energy sales slightly improved by 1% at PHP9.70 billion from PHP9.61 billion last year.

Consolidated Cost of Sales decreased by 12% at PHP14.64 billion from PHP16.66 billion last year. Before elimination, Cost of Coal Sold dropped by 12% at PHP12.33 billion from PHP14.01 billion last year due to lower cost/MT sold. Net of elimination, Cost of Coal Sold likewise dropped by 12% YoY at PHP9.82 billion from PHP11.10 billion. Cost of Coal Sold per MT dropped by 24% compared to last year due mainly to higher units of production and tightening control on some mine overhead costs. This partially offsets the decline in Revenues due to lower average coal prices.

In the same note, power Cost of Energy Sales before elimination reduced by 14% at PHP5.55 billion from PHP6.40 billion last year. Minimal spot purchases for replacement power and lower coal fuel average cost this year accounted for the decrease in cost.

The resulting consolidated Gross Profit increased by 4% at PHP9.51 billion, with the coal power segments each contributing PHP4.63 and PHP4.88 billion, respectively. Last year's consolidated Gross Profit stood at PHP9.15 billion last year, PHP5.10 billion from coal and PHP3.05 billion from power. Consolidated Gross profit margin improved to 39% from 35% last year.

Consolidated Operating Expenses increased by 19% at PHP3.39 billion from PHP2.86 billion last year. Net of eliminating entries, the coal segment's Operating Expenses increased by 9% at PHP2.0 billion from last year's PHP1.84 billion as lower Cost of Sales increased Government Share by 5% at PHP1.56 billion from PHP1.48 billion last year. The power segment's Operating Expenses after elimination also went up by 35% at PHP1.38 billion from PHP1.02 billion last year due to write-down of net book value of replaced major components and parts relative to the rehabilitation of Unit 1 amounting to PHP341 million. The pre-operating Southwest Luzon Power Generation Corp. (SLPGC), a wholly-owned subsidiary of the Corporation incorporated to expand its power capacity with the construction of 2 x 150 MW power plants, incurred PHP21.55 million pre-operating expenses, representing taxes, licenses and fees incurred during the year. Another subsidiary, Sem-Cal Industrial Park Developers, Inc. (SIPDI) and Semirara Claystone Inc. also incurred Pre-operating Expenses of PHP37 thousand and PHP65 thousand during the period, respectively.

Consolidated Forex Gains posted a remarkable PHP391 million as against losses of PHP38.32 million last year. The PHP continued to strengthen against the USD during the year. Since most of its loans are USD-denominated, bulk of this year's Forex Gains is attributed to the coal segment which recognized PHP387.83 million versus last year's Loss of PHP26.01 million. Meanwhile, with minimal Forex exposure, the power segment's Forex Gains registered at PHP3.17 million as against Losses of PHP12.31 million last year.

Lower cash and lower placement interest rates resulted to the decrease in consolidated Finance Income by 39% at PHP82.15 million from PHP134.88 million last year. The coal segment's investible funds reduced after its additional equity infusion of PHP2.5 billion to SLPGC, thus its Finance Income decreased by 83% at PHP13.12 million from PHP79.45 million last year. On the other hand, the power segment's Finance Income increased by 24% at PHP68.95 million from PHP55.43 million due to higher short-term placement income from SLPGC in the first half of 2012 with its higher cash level, coming from the proceeds of the initial drawdown from the project loan facility and equity infusion by the parent, parked in short-term placements.

Consolidated Finance Costs slightly increased by 4% at PHP501.28 million from PHP483.29 million last year. The coal segment's interest-bearing loans increased by 6% at PHP4.91 billion from PHP4.62 billion last year. Although interest rates are lower this year, Finance Costs increased by 17% at PHP122.61 million from PHP104.93 million last year as it only started paying off short-term debts toward the end of the year. Meanwhile, the power segment's total ending interest-bearing loans balance dropped to PHP7.35 billion from PHP8.84 billion last year. Of this amount, P550 million reflects the new availment by SLPGC. With the availment of short-term working capital loans during the year, the power segment's Finance Costs slightly increased at PHP378.67 million from PHP378.36 million last year.

Consolidated Other Income increased by 219% at PHP31-08.40 million from PHP99.91 million generated by the coal segment last year from gain on sale of retired assets. After eliminating the PHP 1.5 billion Dividend Income from the power segment, the coal segment's Other Income this year, increased by 78% at PHP187.63 million from PHP99.91 million last year, included gain on sale of retired assets, sale of electricity and insurance claims. Meanwhile, the power segment's Other Income of PHP131.26 million this year is mainly composed of sale of fly ash.

The resulting consolidated Income Before Tax stood at PHP6.40 billion, with the coal and power segments contributing PHP3.10 billion and PHP3.30 billion, respectively; meanwhile SLPGC registered a loss of 3.56 million. This year's consolidated Income Before Tax posted a 6% growth over last year's PHP6.01 billion.

Both operating business units enjoy Income Tax Holidays (ITH) as Board of Investments (BOI)-registered companies. Moreover, on 20 September 2012, the coal segment received the approval of its BOI registration for Bobog Mine, another mine site to be developed next to the current active Panian mine. The ITH benefit will start upon commercial operation of the new mine. SLPGC's application for BOI registration was also approved during the year. With these tax holidays, consolidated Provision for Income Tax remained

minimal at PHP39.45 million this year. In 2011, consolidated Benefit from Income Tax posted at PHP22.17 million. The coal and power segments' tax provision this year stood at PHP1.3 million and PHP28.0 million, respectively.

The resulting consolidated Net Income After Tax posted a 5% growth at PHP6.36 billion from PHP6.031 billion last year. Coal and power segments respectively generated PHP3.10 billion and PHP3.28 billion this year, while SLPGC recorded a net loss of PHP8.0 million. Earnings per Share (EPS) correspondingly increased by 5% at PHP17.85 from PHP16.93 last year.

B. Financial Condition, Solvency and Liquidity

Consolidated cash provided by operating activities this year amounted to PHP.6.72 billion. Consolidated loan availments totaled to PHP4.47 billion. Meanwhile, sale of assets during the year generated PHP127.49 million, while increase in Other Noncurrent Liabilities of PHP57.94 million resulted to a positive impact to the cash flow. With Beginning Cash of PHP5.01 billion, total consolidated Cash available for the period stood at PHP16.38 billion.

Of the available cash, PHP5.15 billion was used to fund major CAPEX; PHP3.8 billion for the power plant expansion under construction in progress, PHP1.15 billion for mining equipment, and PHP237.54 million for the existing power plants.

The Corporation also paid cash dividends of PHP12 per share or a total of PHP4.27 billion
Meanwhile, PHP5.30 billion was spent for debt repayments, PHP2.03 billion for the maturing obligations of power, and PHP3.27 for the coal segment.

Other investing activities during the period also utilized cash, namely, additions to investments and advances amounting to PHP 17.25 million which included investment in sinking fund.
With this year's intensive expenditures, consolidated Ending Cash closed at PHP534.39 billion, a significant 89% drop from last year's PHP5.01 billion due to investments made in the power segment and long-term debt service.

The consolidated current ratio as of end of the current period went down at 0.97x versus 1.25x in 2011 due to reclassification of long-term debt to current portion and short-term refinancing of long-term debt principally from the coal segment, capitalizing the lower LIBOR rate and spreads for USD short-term borrowings coupled with stronger Philippine peso.

C. Financial Condition

Consolidated Total Assets stood at PHP36.19 billion, reflecting a 2% increase from beginning balance of PHP35.63 billion due to acquisition of new mining equipment for refleeting of retired units and rehabilitation of Power Unit 1. After eliminations, the coal and power segments' Total Assets closed at PHP11.37 billion and PHP20.83 billion, respectively. SLPGC, SCI and SIPDI recorded Total Assets of PHP3.97 billion, PHP2.5 million and PHP2.6 million, respectively.

Consolidated Current Assets dropped by 17% to PHP11.71 billion from PHP14.12 billion as at end of 2011. Coal, power, SLPGC, SCI and SIPDI accounted for PHP7.88 billion, PHP3.76 billion, PHP64.19 million, PHP2.5 million and PHP2.57 million, respectively.

Consolidated Cash and Cash Equivalents' 89% decrease to PHP534.39 million from PHP5.01 billion beginning balance mainly accounted for the decrease in consolidated Current Assets. The substantial decrease in Cash is attributable to payment of dividends and payment of Trade and Other Payables, particularly the down payment for the 2 x 150MW power plant expansion.

On the other hand, Net Receivables increased by 11% at PHP3.58 billion from PHP3.22 billion last year mainly from increased receivables of electricity sales and coal export sales towards the end of the year. The coal and power segments Receivables of PHP1.28 billion and PHP2.3 billion, respectively, are mainly trade related.

Consolidated Net Inventories likewise increased by 23% at PHP5.66 billion from PHP4.59 billion as at the end of 2011. The coal segment's ending Inventory of PHP4.54 billion is mainly comprised of cost of ending coal inventory and materials and supplies, while the power segment's Inventory of PHP1.16 billion is mainly comprised of coal inventory and spareparts inventory for corrective, preventive and predictive maintenance program.

Consolidated Other Current Assets increased by 48% at PHP1.94 billion from PHP1.31 billion in 2011. The coal segment's Other Current Assets of PHP1.64 billion is mainly comprised of creditable withholding taxes, advances to suppliers, and pre-paid insurance. The power segment's Other Current Assets of PHP262 million mainly accounted for advances to suppliers and pre-paid insurance.

Consolidated Non-Current Assets grew by 14% at PHP24.47 billion from PHP21.50 billion as at end of 2011. Coal, power, and SLPGC accounted for PHP3.50 billion, PHP17.07 billion, and PHP3.9 billion, respectively.

The increase in consolidated non-current assets is largely attributed to the 10% increase in consolidated net PPE of PHP22.72 billion from PHP20.74 billion in 2011. Down payments were made to suppliers for the expansion of power capacity under SLPGC, while the coal segment also purchased replacement mining equipment for its retired assets. Coal, power, and SLPGC accounted for net PPE of PHP3.39 billion and PHP16.46 billion, and PHP2.88 billion, respectively.

Consolidated Investments posted a minimal increase of 4% at PHP508.04 million from PHP490.79 million beginning balance. This accounts for the sinking fund maintained by the power segment.

Consolidated Deferred Tax Assets of PHP1.54 million accounted for the power segment's provision for decommissioning and site rehabilitation of PHP1.52 million and PHP19.36 thousand NOLCO of Semirara Claystone, Inc., another subsidary of the Corporation. In 2011, consolidated Deferred Tax Assets closed at PHP17.41 million.

Consolidated Other Non-Current Assets increased by 382% to PHP1.24 billion from PHP257.38 million in 2011. This is mainly comprised of advances to contractor, input VAT withheld and pre-paid rent. Coal, power, and SLPGC accounted for Other Non-Current Asset of PHP115 million and PHP94 million, and PHP1.03 billion, respectively.

Consolidated Total Liabilities decreased by 7% at PHP19.29 billion from PHP20.82 billion last year. Coal, power, SLPGC, SCI and SIPDI accounted for PHP9.78 billion, PHP8.31 billion, PHP675 million, PHP44 thousand and PHP67 thousand, respectively.

The drop in Total Liabilities is primarily due to the reduction in Consolidated Total Long-term Liabilities which decreased by 26% at PHP7.12 bilion from PHP9.52 billion in 2011. Coal, power, SLPGC accounted for PHP9.8 billion, PHP9.6 billion, PHP675 million, respectively.

After settlement of the balance of the coal segment's government share for prior year of P905.0 million and payment of other trade accounts for both coal and power segments, consolidated Trade and Other Payables decreased by 7% at PHP6.81 billion from PHP7.30 billion beginning balance. Coal, power, SLPGC and SIPDI respectively accounted for PHP4.82 billion, PHP1.93 billion, PHP69.98 million, PHP65 thousand and PHP87 thousand of Trade and Other Payables.

Consolidated Current Portion of Long-Term Debt likewise increased by 73% at PHP5.18 billion from PHP2.99 billion as at end of 2011 since majority of the loans availed for CAPEX will mature next year, which recorded a closing balance of PHP3.37 billion and PHP1.51 billion, respectively.

On the other hand, consolidated Total Non-Current Liabilities decreased by 25% at PHP7.12 billion, from PHP9.52 billion in 2011. Coal, power, and SLPGC accounted for PHP1.16 billion, PHP5.35 billion and PHP605 million, respectively.

Consolidated Long-Term Debt decreased by 12% at PHP7.0 billion from PHP9.47 billion beginning balance, primarily due to reclassification to short-term of maturing CAPEX loans of the coal segment and power segment's debt servicing. This caused the decrease in Total Non-Current Liabilities. Coal, power, and SLPGC accounted for PHP1.12 billion, PHP5.34 billion and PHP547 million, respectively.

Provision for Decommissioning and Site Rehabilitation increased by 31% at PHP62.45 million from PHP47.58 million due to an additional provision made by the coal segment after its contract area was expanded to include portions of Caluya and Sibay islands.

During the year, the Corporation recognized consolidated Pension Liabilty of PHP5.85 million. After dividend payment of PHP4.28 billion and accounting of income generation of PHP6.36 billion, consolidated Stockholders' Equity increased by 14% at PHP16.89 billion from PHP14.81 billion as at end of 2011.

Debt-to-Equity ratio improved by 18% at 1.14:1 from 1.41:1 as at the start of the year.

VI. PERFORMANCE INDICATORS:

1. **Earnings per Share** – Despite the drop in global coal prices, the Corporation was able to recognize an increase in profits this year, translating to an improved EPS. Cost management in the coal segment and success in rehabilitating both units of the power segment are factors that paved the way for the Corporation's continued remarkable performance during the year.
2. **Debt-to-Equity Ratio** – The Corporation's healthy balance sheet allowed it to pay off debts. Hence despite incurring an additional PHP 550 million loan for the expansion of the power capacity, DE improved as at the end of the year. The Corporation's strong financial condition enables it to enjoy the best commercial terms for its financing requirements.
3. **Business Expansion** – Taking an extra step in its forward integration to the power business, the Corporation started with its expansion plans to put up another 2 x 150 MW power plants during the year. This will further maximize the value of its coal reserves as these plants are designed to use unwashed coal, thus improving coal recovery.
4. **Expanded Market** – The successful breakthrough in the export market in 2007 paved way for the increased acceptance of Semirara coal amongst local users. The thrust of the Corporation now is to further develop its local market, and slowly displace export sales with domestic deliveries as the latter give better margins.
   Meanwhile, the power segment limitted its exposure to the volatility of the spot market by signing bilateral contracts, both firm and non-firm. As base load plants, it is more ideal to have a stable market for the generated electricity.
5. **Improved coal quality** – The consistent implemention of measures to improve or enhance coal quality resulted to increased acceptance both in the export and domestic markets. Meanwhile, to improve coal recovery and cost efficiency, the power plants started to burn unwashed coal during the year. This also provides additional income to the power segment as sale of fly ash dramatically increased.

VII. OTHER INFORMATION

1. There were no known trends, events or uncertainties that have material impact on liquidity.
2. The Corporation provides interim corporate suretyship in favor of the lenders of SCPC for its PHP9.6 billion 7-year loan availed on 26 May 2010. The security may however be suspended within the term of the loan when the conditions set forth in the loan contract are met. SCPC started to amortize the loan in 2011; as at end of the year outstanding balance decreased to PHP8.75 billion.
3. There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.
4. The Corporation has issued purchase orders to suppliers for mining equipment amounting to P180 million for delivery Q1 2012. Additional mining equipment worth USD7.65 million will be purchased in 2012 with various delivery dates falling on the second half 2012. Moreover a 1 x 15 MW CFB Power Plant will be constructed in Semirara Island for its mine operation, a replacement of the old unit with estimated cost of P1.2 billion. The equipment purchases will be financed with medium-term loans that match the life of the assets while the power plant will be financed via long term loan, all to be sourced from local banks.
5. For 2012, we expect an increase in the demand for Semirara Coal in the domestic market with the commissioning of new power plants and small boilers that can utilize 100% Semirara coal. This trend is expected to continue in the next two years as a result of the competitiveness of Semirara Coal over imported coal.
6. There are no significant elements of income of loss from continuing operations.
7. There were no subsequent events that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements.
8. The Group's operation is not cyclical or seasonal in nature. Mining activities is continuous throughout the year as coal production output from period to period can be adjusted through efficient mine planning on both short-term and long-term, mitigating negative impact of the rainy season to mine operations. The power generation business is also operational throughout the year as maintenance shutdown is just part of normal operation of the plant and programmed ahead of time.

Full Years 2010-2011

I. PRODUCTION AND OPERATIONS

COAL

The acquisition and operation of the 2 x 300 MW power plants in Calaca, Batangas gave market security to the coal business segment and the Company, as a group, to hold position in the power sector. The imbalance in the power demand and supply of energy in our country drove the Company to expand its power plant capacities in the next three years. The thrust of the mine operations in 2011 was anchored on this business decision.

There were more drilling programs implemented, particularly focusing on the eastern part of the island, which indicated positive results. These extensive drilling activities are being done to ensure that the expansion of power plant capacities will be accordingly supported by sufficient mineable coal reserves. The data gathered from the exploration and confirmatory drilling are going to be submitted to a local competent person for verification for certification by a competent person according to Philippine Mineral Resource Code (PMRC) standards and will ultimately be subjected to certification process in accordance with Joint Ore Reserve Code (JORC) standards.

With almost the same equipment complement, operations achieved a new record high of total material movement of 85.06million bank cubic meters (bcm), registering an 8% growth from 2010 material movement of 78.68 million bcm. At a higher strip ratio this year of 10:13:1 from 9:73:1 in 2010, run-of-mine (ROM) coal posted a more modest growth of 4% at 7.84million metric tons (MTs) from 7.54million MTs last year. Despite a higher percentage of washable coal this year, net total product coal recorded a 2% increase at 7.12 million MTs from 6.95 million MTs in 2010.

The fourth (4th) loading facility was made operational towards the end of the year. The strategic location of the new loading facility cuts coal transfer time. This improved logistic support necessary for the expanded activities in the island and make coal loading rate faster.

Despite the increased production, marketing efforts were restrained by the impact of the economic woes in Europe and US to the Asia Pacific Region. Exports declined due to high coal inventory in China from Europe which were diverted to Asian market and lower coal demand in Thailand due to flooding. Thus, local orders were given priority and export sales slowed down towards the end of the year. As a result, ending inventory stood at 1.0 million MTs more than double the beginning inventory of only 0.49million MTs.

POWER

UNIT 1

In 2011 Unit 1 was limited to 157 MW average load due to thinned boiler tubes and only one Circulating Water Pump (CWP) in service starting 14 April 2011. Also, the unit was under rehabilitation starting 29 August 2011, hence gross generation reduced by 20% from 2010 level of 915 GWh at 727 GWh this year. Capacity factor, availability, and forced outage rates during the year stood at 28%, 54%, and 4%, respectively. The unit was running for a total of 4,704 hours during the year, and it consumed 477,272 MTs Semcoal.

Unit 1 has been operating for 25 years and issues related to safety, reliability, efficiency, upgrade, obsolescence and environmental consequently arose. The rehabilitation of Unit 1 was undertaken to address these issues that caused the inefficient operations of the plant. It was officially shutdown for rehabilitation last August 29, 2011.

UNIT 2

In 2011 Unit 2 was running at 254MW average load due to extended commissioning and high pressure heater leak. Gross generation for 2011 was 1,132 GWh with 43% capacity factor, 60% availability, and 36% forced outage rates. After the rehabilitation works, generation this year is 57% higher than in 2010 as operating hours improved from 4,230 hours in 2010 to 5,234 hours this year.

The unit experienced 2,976 hours forced outage which is 19% higher than 2010 level due to the increase in load which exposed the plant's weak points leading to de-rating and shutdowns. Fine tuning of boiler was done progressively to correct overheating. Meanwhile, the remaining overheated boiler tubes will be replaced by end 2012, to coincide with the scheduled preventive maintenance shutdown of the plant.

The Distributed Control System (DCS) and the dry bottom ash system will also be installed during the aforementioned scheduled preventive maintenance shutdown. Moreover, all other improvements, correction of deficiencies and modifications will be undertaken during this time. The full rehabilitation program of the plant is expected to be completed and by start of 2013.

II. MARKET

COAL

Demand for Semirara coal, both from the local and export markets, remained strong in 2011. However, with its new objective of resource maximization for its investments in the power, the Company strategically cut export sales during the year, such that sales of 6.52million MTs was 9% lower than 2010 sales volume of 7.15million MTs.

The cut in sales volume came from export deliveries which dropped by 41% at 2.43million MTs from 4.10million MTs in 2010. Conversely, local sales increased by 34% at 4.,09million MTs from 3.05million MTs in 2010.

With increasing local demand, marketing efforts shifted back to prioritizing the domestic market to fully benefit from its competitive advantages over imported coal. Thus, from a 43% : 57% market share in favor of export sales in 2010, the scale has tipped to 63%: 37% in 2011.

Bulk of the local sales were delivered to the power plants, totaling to 3.27million MTs, increasing by 92% from power plant sales of 1.70million MTs in 2010. SCPC's total deliveries increased by 47% at 1.41million MTs this year from 0.96million MTs in 2010 as first phase of Unit 2 rehabilitation was completed this year, thus increasing the plant's effective capacity and utilization rate. Meanwhile, deliveries to other power plants tripled from 0.74million MTs in 2010 to 1.86million MTs this year. The huge increase

mainly came from the increase in off-take of a customer with power plants in the Visayas with a long-term supply agreement with the Company. Sales to the power sector accounted for 50% of total sales in 2011.

Sales to local cement plants remained flat at 0.66million MTs in 2011 from 0.66 MTs in 2010. This year, the Company has more direct sales to end-users , unlike in the previous years, wherein most of its sales to cement plants were made via local trader Cement plant's market share inched up slightly at 10% this year from 9% in 2010.

Meanwhile, sales to other industrial plants recorded a significant 77% drop from 0.68 million MTs in 2010 to 0.16million MTs this year. This was caused by lower purchases by a local broker who delivers to small industrial plants. As a result, this industry's market share dropped to 2% from 10% in 2010.

High global coal prices translated to a remarkable 31% increase in composite average price from PHP2,343 in 2010 to PHP3,078 this year. The Company already adopted a coal pricing mechanism which is indexed to global coal prices.

POWER

SCPC's recorded sales for bilateral contracts for 2011 increased by 14% to 1,553 GWh from its recorded sales in 2010 of 1,368 GWh. This is attributed to the renewal of contract with one of its previous customers, the Batangas I Electric Cooperative, Inc. (BATELEC I); a new power supply contract with Trans-Asia Oil and Energy Development Corporation, which took effect in April and March 2011, respectively; and an arrangement with the National Power Corporation (NPC) for a non-firm power supply to MERALCO on top of the existing firm power supply to MERALCO under the existing Contract for the Supply of Electric Energy inherited by SCPC from NPC.

MERALCO remained to be the biggest customer of SCPC accounting for 33% share of the total energy sales for SCPC's bilateral contracts.

SCPC's sales from the spot market, however, dropped by 1%, from 476 GWh in 2010 to 472 GWh in 2011. The decrease in sales to spot market was mainly due to the approval of non-firm nominations of Meralco.

Overall, a total energy of 2,025GWh was sold in 2011, 77% directly to the customers through bilateral contracts, and 23% to the spot market. The total energy sales increased by 10% from 1,845 GWh recorded in 2010.

Of the total energy sold, 85% was sourced from the generation of the power plants, while 15% was purchased from the spot market. SCPC secured replacement power from the spot market to meet its supply obligation to MERALCO.

In December 2011, SCPC inked a new power supply contract with Meralco effective December 26, 2011 for a term of seven (7) years with an option to extend for another three (3) years upon mutual agreement. The initial contracted capacity is 210 MW and will be increased to 420MW upon commercial operation of the other unit after rehabilitation or 210MW for each unit.

III. FINANCE

A. Sales and Profitability

High coal prices and increase in energy sales resulted to a 13% growth in consolidated Revenues in 2011 at PHP25.81 billion from PHP22.90 billion in the previous year. Net of eliminating entries, coal and energy Revenues stood at PHP16.20 billion and PHP9.61 billion, respectively.

Consolidated Cost of Sales increased by 5% at PHP9.15 billion from PHP6.99 billion in 2010. After eliminating entries, the coal and power segments accounted for Cost of Sales of PHP10.26 billion and PHP6.40 billion, respectively. Cost of Coal Sold/MT increased by 21% from PHP1,770 in 2010 to PHP2,148 this year due to significant increases in rate of fuel consumption per cycle time and fuel, materials and spare parts prices, along with the increase in stripping ratio. On the other hand, the power segment's Cost of Sales/KWhr registered a slight 1% growth from PHP3.13 in 2010 to PHP3.16 in the current period.

The increase in per unit Cost of Sales was sufficiently covered by the increase in selling prices for both the coal and power segments. Thus, Gross Profit Margin increased from 31% in 2010 to 35% in the current period. As a result, consolidated Gross Profit registered a healthier growth of 31% from PHP6.99 billion in 2010 to PHP9.15 billion this year.

Meanwhile, consolidated Operating Expenses increased by 6% from PHP2.72 billion in 2010 to PHP2.88 billion this year. The coal segment's Operating Expenses of PHP1.86 billion is mainly composed of Government Share of PHP1.48 billion. On the other hand, the power segment incurred PHP999.00 million in Operating Expenses, which comprised mainly of the O&M fee of the plant. In addition, the Company invested in two new companies during the year. One is the Southwest Luzon Power Generating Corp. (SLPGC) which will undertake the expansion of the power capacities with the construction of 2 x 150 MW plants adjacent to the existing power plants of SCPC. Pre-operating expenses of PHP20.23 million were incurred during the year. Another Company was incorporated, the SEM-Cal Industrial Park Developers, Inc. SIPDI) which aims to develop areas in the Calaca property into an economic zone. In 2011, it incurred Pre-operating Expenses of PHP50 thousand.

Consolidated Financing Cost dropped by 28% from PHP668.44 million in 2010 to PHP483.29 million this year. The decrease was due to the decline in the balance of the SCPC loan, which partly financed the acquisition of the asset, from PHP9.6 billion in 2010 to PHP8.6 as at the end of 2011. Augmented by the drop in interest rates, Financing Cost of the power sector decreased by 19% from PHP490.63 in 2010 to PHP396.78 million this year. Meanwhile, although total loans of the coal segment increased in 2011, due to the decrease in interest rates, its Financing Costs in 2011 of PHP86.51 million decreased by 56% from 2010 level of PHP177.81 million, mainly from dollar denominated loans.

On the contrary, consolidated Finance Income rose by 134% from PHP57.67 million to PHP134.88 million. Short-term placement rates improved in 2011 compared to 2010. Moreover, all business units had healthier cash positions during the year. The coal segment's Finance Income increased by 165% at PHP79.45 million from PHP30.02 in 2010; while the power segment generated PHP55.43 million this year, posting a 100% increase from last year's level of PHP27.65 million. Meanwhile, SLPGC recognized Finance Income of PHP10.54 from its partially paid-up capital placed in short-term time deposit accounts.

Meanwhile, foreign exchange fluctuations resulted to consolidated Forex Losses of PHP38.32 million, the coal and power segments incurred Forex Losses of PHP26.01 million and PHP12.31 million, respectively. In 2010, the fluctuations moved in favor of the Company, thus enabling it to recognize consolidated Forex Gains of PHP 199.49 million.

Consolidated Other Income of PHP99.91 was generated by the coal segment mainly from sale of retired mining equipment and proceeds from insurance claims of PHP53.55 million and 35.12 million respectively. This posted a 53% growth from 2010 level of PHP65.43 million.

Consolidated Net Income Before Tax showed an impressive growth of 53% at PHP6.01 billion from PHP3.95 billion last year. Minimal losses from the two pre-operating companies were sufficiently covered by the healthy income generation of the coal and power segments, which stood at PHP4.14 billion and PHP1.87 billion, respectively, net of eliminating entries. Meanwhile, both business segments have Income Tax Holidays as Board of Investments registered companies (as expanding coal producer and as power generator). As a result, consolidated Tax Provision amounted to negative provision of PHP22.17 million consisting of final income taxes amounting to PHP22.76, net of deferred income taxes of PHP44.93 million.

The resulting consolidated Net Income After Tax closed at PHP6.03 billion, the coal and power segments respectively contributed PHP4.17 billion and PHP1.87 billion. Net earnings this year posted a remarkable 51% growth from consolidated Net Income After Tax in 2010 of PHP3.95 billion. Earnings per Share increased by 40% from PHP12.10 last year to PHP16.93 this year, after the number of outstanding shares increased mid-2010 due to a stock rights offering exercise.

B. Financial Condition, Solvency and Liquidity

Strong revenues resulted to healthy cash generation for the Company. This allowed the Company to increase its investments, particularly property, plant and equipment (PPE) which totaled to a consolidated amount of PHP35.63 billion.

The Company was also able to afford to pay dividends, which is double of last year's figure amounting to PHP3.56 billion. Although still under rehabilitation, the power segment contributed PHP1.2 billion in dividends.

Total consolidated debt repayment was also sizeable at PHP2.80 billion.

Despite the considerable cash out, consolidated Cash End stood at PHP5.01 billion, posting a 31% growth over beginning balance of PHP3.81 billion.

Consolidated Net Receivables increased slightly by 1% from beginning balance of PHP3.18 billion, closing at PHP3.22 billion. After hitting its target for the year, the coal segment slowed down its coal deliveries toward the end of the year, thus decreasing its receivable level from PHP1.47 billion as at the start of the year to PHP1.07 billion as at year-end. Meanwhile, the power segment's Receivables slightly increased to PHP2.15 billion from PHP1.71 billion from the start of the year, while SLPGC recorded net Receivables of PHP384 thousand.

On the other hand, consolidated Net Inventories increased by 93% from beginning balance of PHP2.35 billion to PHP4.59 billion as at yearend. This is mainly due to increased coal inventory. Coal production was at record high in 2011, but sales volume was controlled in congruence to the Company's strategy of maximizing reserves for its own power plants. The coal and power segments' inventories closed at PHP3 billion and PHP1.6 billion, respectively.

Meanwhile, consolidated Other Current Assets increased by 44%, closing at PHP1.31 billion, from a beginning balance of PHP912.76 million. This is mainly comprised of Creditable withholding taxes and Advances to suppliers and other prepayments amounting to PHP418.92 million and PHP891.51 respectively

The resulting consolidated Total Current Assets increased by 38% from beginning balance of PHP10.26 billion, closing at PHP14.12 billion. The coal and power segments contributed PHP8.77 billion and PHP5.4 billion, respectively; power segment is inclusive of the pre-operating power Company, SLPGC, which accounts for PHP758.44 million current assets. SIPDI contributed PHP2.5 million.

Consolidated Non-Current Assets recorded a more modest 6% growth at PHP21.50 billion as at yearend from beginning balance of PHP20.23 billion.

Net of depreciation, consolidated PPE closed at PHP20.74 billion, increasing by 6% from beginning balance of PHP19.58 billion. More mining equipment were purchased during the year, thus increasing the coal segment's PPE from PHP3.70 billion beginning balance to PHP3.72 billion ending balance; while rehabilitation works at the Calaca power plants increased the value of its PPE from PHP15.88 billion beginning balance to PHP17.07 billion as at yearend.

Investment and Advances increased by 6% from PHP310.23 million beginning balance to PHP490.79 million as at yearend. This accounts for the power segment only.

Meanwhile, consolidated Other Non-Current Assets dropped by 19% from beginning balance of PHP317.59 million to PHP257.38 million. The coal and power segments accounted for PHP158.45 million and PHP98.93 million, respectively. The decrease is due to the recovery of the related assets.

The resulting consolidated Total Assets posted a 17% growth, closing at PHP35.63 billion from PHP30.50 billion in 2010. The coal and power segments respectively accounted for PHP12.61 billion and PHP23 billion inclusive of the assets relating to the pre-operating power companies - SLPGC amounting to PHP765 million. SIPDI contributed PHP2.50 million.

Consolidated Total Liabilities also increased by 15% from beginning balance of PHP18.16 billion, closing at PHP20.82 billion. The coal segment accounted for Total Liabilities of PHP9.38 billion, comprised of PHP6.7 billion and PHP2.68 billion Current and Non-Current portions, respectively. Meanwhile, the power segment's Current and Non-current portions closed at PHP4.60 billion and PHP6.84 billion, respectively, resulting to Total Liabilities of PHP20.82 billion.

Consolidated Current Liabilities increased by 63% from beginning balance of PHP6.93 billion to PHP11.31 billion as at year-end. This is primarily due to the substantial Accounts and Other Payables recognized by the coal and power segments amounting to PHP4.61

billion and PHP2.69 billion, respectively. These liabilities principally arose from purchase of materials, spare parts fuel and services. Consolidated Short-Term Loans likewise increased by 125% from PHP449.85 million as at the start of the year to PHP1.01 billion as both business segments' working capital requirements for the period increased. Finally, Current Portion of Long Term Loans also posted a significant increase of 164% from beginning balance of PHP1.13 billion, closing at PHP2.99 billion. The coal segment has maturing medium term loans, in relation to the financing of its CAPEX, within the next twelve months. On the other hand, the power segment is already amortizing its term loan which partially financed the acquisition of the power plants.

Conversely, consolidated Non-Current Liabilities decreased by 15% from beginning balance of PHP11.22 billion to PHP9.52 billion as at yearend. This is primarily due to the reclassification of the maturing portion of both segments' long-term debts to short-term.

The 20% increase in consolidated Total Stockholders' Equity, from beginning balance of PHP 12.30 billion to close at PHP14.81 billion, came from the growth in Retained Earnings. Despite paying out record high cash dividends during the year, both business segments' robust income generation during the period resulted to a stronger equity level.

Consolidated Current Ratio dropped by 16% from 1.48:1 in 2010 to 1.24:1 as at yearend. This is primarily caused by the increase in Current Liabilities. On the other hand, Debt-to-Equity ratio improved by 4% from 1.47:1 in 2010 to 1.41:1 as at yearend due to reclassification of maturing long-term loans to short-term.

C. Performance Indicators

1. **Earnings per Share** – Despite a bigger capital base in 2011, the Company's EPS increased by 40%, a testament to its strong absolute earnings during the year. This performance indicator is crucial in determining the Company's ability to declare cash dividends.
2. **Debt-to-Equity Ratio** – Aside from portraying its robust financial health, improving Debt-to-Equity Ratio boosts the Company capability to expand its business for capital growth. With a healthy DE ratio, the Company's financing options are likewise broadened, enabling it to enjoy low interests.
3. **Business Expansion** – Its investment in the power sector opened several doors of opportunity for the Company. A deeper knowledge in the industry guided the Company's plans of expanding its power plant capacities. The shift in the Company's strategy from expansion in the coal segment to development in the power sector provides a multiplier effect in the value of its finite coal reserves.
4. **Expanded Market** – The increased acceptance by the local customers for Semirara coal allowed the Company to refocus its marketing efforts back to the domestic market, thus maximizing its intrinsic competitive advantages over imported coal. Meanwhile, the power segment's supply contract with MERALCO secures its operating efficiency as base-load power generator.
5. **Improved coal quality** – Ensuring that its coal quality improvement measures are strictly complied with is essential in maintaining the Company's marketing success. The Company now takes a step further by creating a market for its lowest quality coal which no existing customer could take. Its expansion in the power sector aims to employ the latest technology that could burn its waste coal.

IV. OTHER INFORMATION

1. There were no known trends, events or uncertainties that have material impact on liquidity.
2. The Company provides interim corporate suretyship in favor of the lenders of SCPC for its PHP9.6 billion 7-year loan availed on 26 May 2010. The security may however be suspended within the term of the loan when the conditions set forth in the loan contract are met. SCPC started to amortize the loan in 2011; as at end of the year outstanding balance decreased to PHP8.75 billion.
3. There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
4. The Company has issued purchase orders to suppliers for mining equipment amounting to P180 million for delivery Q1 2012. Additional mining equipment worth USD7.65 million will be purchased in 2012 with various delivery dates falling on the second half 2012. Moreover a 1 x 15 MW CFB Power Plant will be constructed in Semirara Island for its mine operation, a replacement of the old unit with estimated cost of P1.2 billion. The equipment purchases will be financed with medium-term loans that match the life of the assets while the power plant will be financed via long term loan, all to be sourced from local banks.
5. For 2012, we expect an increase in the demand for Semirara Coal in the domestic market with the commissioning of new power plants and small boilers that can utilize 100% Semirara coal. This trend is expected to continue in the next two years as a result of the competitiveness of Semirara Coal over imported coal.
6. There are no significant elements of income of loss from continuing operations.
7. There were no subsequent events that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements.
8. The Group's operation is not cyclical or seasonal in nature. Mining activities is continuous throughout the year as coal production output from period to period can be adjusted through efficient mine planning on both short-term and long-term, mitigating negative impact of the rainy season to mine operations. The power generation business is also operational throughout the year as maintenance shutdown is just part of normal operation of the plant and programmed ahead of time.

B. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

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

[7] SCPC and SLPGC were incorporated in November 2009 and August 2011, respectively.

On March 6, 2014, the Board of Directors of the Corporation, upon recommendation of its Audit Committee, approved and recommended the re-appointment of SGV, subject to the stockholders' approval, as the Corporation's Independent External Auditor for the fiscal year 2015.

(1) External Audit Fees and Services

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

In Millions Pesos with VAT	
2012	4.0[8]
2013	4.6[9]
Total	**8.6**[10]

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

(c) All Other Fees. – There are no fees billed in each of the last two fiscal years for products and services provided by SGV other than services reported under item (a) above.

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

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

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

A. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

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

Directors:

1. **David M. Consunji,** 92, Filipino, has been the Chairman of the Board of the Corporation since May 2001. He is a graduate of B.S. Civil Engineering at the University of the Philippines. He is currently the Chairman of D.M. Consunji, Inc., Dacon Corporation, DMCI Holdings, Inc. *(listed company)*, Semirara Cement Corp., SEM-Calaca Power Corporation, Semirara Claystone Inc., Semirara Energy Utilities Inc., St. Raphael Power Generation Corporation, SEM-Balayan Power Generation Corporation, Southwest Luzon Power Generation Corporation, and SEM-Cal Industrial Park Developers Inc. and He is also Director of Atlantic Gulf & Pacific Co., Inc. He was the former Secretary of the Department of Public Works, Transportation and Communications from August 23, 1971 to 1975, President of the Philippine Contractors Association, President of International Federation of Asian & Western Pacific Contractors' Association, President of Philippine Institute of Civil Engineers, Vice-President of the Confederation of International Contractors' Association. He also served as the Chairman of the Contractors Association, the Philippine Domestic Construction Board, the Philippine Overseas Construction Board, and the U.P. Engineering Research and Development Foundation, Inc.

[8] Includes Subsidiaries audit fee of P1.9 Million.
[9] Includes Subsidiaries audit fee of P2.4 Million.
[10] Audit and audit-related fees only; no fees for other assurance and related services were paid.

2. **Isidro A. Consunji,** 65, Filipino, has been the Vice-Chairman of the Corporation since May 2001 and currently serves as the Corporation's Chief Executive Officer, and Chairman of the Nomination & Election Committee. He is a graduate of B.S. Civil Engineering at the University of the Philippines. He holds a Master's Degree in Business Economics from the Center for Research & Communication, and Business Management from the Asian Institute of Management. He also took an Advanced Management from IESE School in Barcelona, Spain. He is also the CEO of SEM-Calaca Power Corporation, Semirara Claystone Inc., Semirara Energy Utilities Inc., St. Raphael Power Generation Corporation, SEM-Balayan Power Generation Corporation, Southwest Luzon Power Generation Corporation, and SEM-Cal Industrial Park Developers Inc. He is also the Chairman and CEO of DMCI Mining Corporation, Chairman of ENK Plc (U.K.); Vice-Chairman of DMCI Masbate Power Corporation; Director of Dacon Corporation, M&S Company Inc., DMCI Projects Developers, Inc., Crown Equities, Inc. *(listed company)*, Toledo Mining Corporation Plc (U.K.) Semirara Cement Corporation, Atlas Consolidated Mining and Development Corporation *(listed company)*, Maynilad Water Services, and SEM-Calaca Res Corporation; and President of DMCI Holdings, Inc. *(listed company)*. He was the former President of the Philippine Constructors Association and Philippine Chamber of Coal Mines, Inc.

3. **Victor A. Consunji,** 63, Filipino, has been a Director of the Corporation since May 2001 and currently serves as the Corporation's President, Chief Operating Officer, and a member of the Audit Committee. He is a graduate of A.B. Political Science at the Ateneo de Davao. He is also the President and COO of SEM-Calaca Power Corporation, Semirara Claystone Inc., Semirara Energy Utilities Inc., St. Raphael Power Generation Corporation, SEM-Balayan Power Generation Corporation, Southwest Luzon Power Generation Corporation, and SEM-Cal Industrial Park Developers Inc.; Chairman, President & CEO of Semirara Training Center, Inc.; Chairman and CEO of DMCI Power Corporation; Chairman & President of Sirawai Plywood & Lumber Corp., and SEM-Calaca Res Corporation; Chairman of One Network Bank and Divine Word School of Semirara Island, Inc.; Director of DMCI Holdings, Inc. *(listed company)*, D.M. Consunji, Inc., M&S Company, Inc., Dacon Corporation, Sodaco Agricultural Corporation, DMC Urban Property Developers, Inc., Ecoland Properties, Inc., DMCI Masbate Power Corporation, and DMCI Mining Corporation; and President of Sirawai Plywood & Lumber Corp.; and Vice-President of Dacon Corporation.

4. **Jorge A. Consunji,** 62, Filipino, has been a Director of the Corporation since May 2001 . He is a graduate of B.S. Industrial Management Engineering at the De La Salle University. He is also the Chairman of DMCI Masbate Power Corporation; and Director of DMCI Holdings, Inc. *(listed company)*, Dacon Corporation, DMCI Project Developers, Inc., SEM-Calaca Power Corporation, Southwest Luzon Power Generation Corporation, Semirara Claystone Inc., Semirara Energy Utilities Inc., St. Raphael Power Generation Corporation, SEM-Balayan Power Generation Corporation, SEM-Cal Industrial Park Developers Inc., SEM-Calaca Res Corporation, Cotabato Timberland Co., Inc., M&S Company, Inc., Sodaco Agricultural Corporation, DMCI Mining Corporation, DMCI Power Corporation, Eco-Process & Equipment Phils. Inc., and Maynilad Water Services, Inc.; President & COO of D.M. Consunji, Inc., and Royal Star Aviation, Inc.; and Vice-President of Divine Word School of Semirara Island, Inc. He was the former Chairman of the Board of Contech Panel Mfg., Inc., and of Wire Rope Corp. of the Philippines. He was the former President of ACEL and Former First Vice-President of Phil. Constructors Association.

5. **Cesar A. Buenaventura,** 84, Filipino, has been a Director of the Corporation since May 2001. He graduated from the University of the Philippines with a degree of Bachelor of Science in Civil Engineering. He received his M.S. Civil Engineering as Fulbright Scholar at the Lehigh University, Bethlehem, Pennsylvania. In 1991, Mr. Buenaventura was made Honorary Officer of the Order of the British Empire (OBE) by Her Majesty Queen Elizabeth II. He is currently the Chairman of Maibarara Geothermal, Inc., and Vice-Chairman of Atlantic Gulf & Pacific Company of Manila (AG&P), DMCI Holdings, Inc. *(listed company)*, and Montecito Properties, Inc. He is a director of DMCI Holdings, Inc., iPeople, Inc. *(listed company)*, PetroEnergy Resources Corp. *(listed company)*, AG&P Company of Manila, Maibarara Geothermal, Inc., Montecito Properties, Inc., Pilipinas Shell Petroleum Corporation, Philippine American Life Insurance Company, and Manila International Airport Authority. He is the founding Chairman of Pilipinas Shell Foundation, Inc., and founding member of the Board of Trustees of the Makati Business Club. His former affiliations are: President of the Benigno S. Aquino Foundation; Member of the Board of Trustees of Asian Institute of Management; Chief Executive Officer of Shell Group of Companies; Member

of the Monetary Board of the Central Bank of the Philippines; Member of the Board of Directors of the Philippine International Convention Center; Member of the Board of Regents of the University of the Philippines. He was also a former director of Ayala Corporation, First Philippine Holdings Corporation, Philippine Airlines, Philippine National Bank, Benguet Corporation, Asian Bank, Ma. Cristina Chemical Industries, and Paysetter International Inc.

6. **Herbert M. Consunji**, 61, Filipino, has been a Director of the Corporation since May 2001. He earned his degree of Bachelor of Science in Commerce Major in Accounting at De La Salle University. Currently, he is the Chairman, Subic Water & Sewerage Corp.; Director of DMCI Holdings, Inc. *(listed company)*, DMCI Project Developers, Inc., DMCI Power Corporation, DMCI Mining Corporation, SEM-Calaca Power Corp., Southwest Luzon Power Generation Corporation, Maynilad Water Services, Inc., Subic Water & Sewerage Corp., SEM-Cal Industrial Park Developers Inc.; CFO, Maynilad Water Services, Inc.; Vice-President & CFO, DMCI Holdings, Inc.; Treasurer of SEM-Calaca Res Corporation; and Partner, H.F. Consunji & Associate.

7. **Ma. Cristina C. Gotianun,** 59, Filipino, has been a Director of the Corporation since May 2006 and currently serves as the Corporation's Executive Vice President and Chairman of the Remuneration & Compensation Committee. She is a graduate of B.S. Business Economics at the University of the Philippines and majored in Spanish at the Instituto de Cultura Hispanica in Madrid, Spain. She is also a Director and Corporate Secretary of Dacon Corporation; Vice-President for Finance & Administration/CFO of D.M. Consunji, Inc.; Finance Director of DMC-Project Developers, Inc.; Director and Treasurer of SEM-Calaca Power Corporation, Southwest Luzon Power Generation Corporation, Semirara Claystone Inc., Semirara Energy Utilities Inc., St. Raphael Power Generation Corporation, SEM-Balayan Power Generation Corporation, DMCI Power Corporation, DMCI Masbate Power Corporation, and SEM-Cal Industrial Park Developers Inc.; Assistant Treasurer of DMCI Holdings, Inc. *(listed company)*; and a Trustee, CFO and Corporate Secretary of Divine Word School of Semirara Island, Inc.

8. **Ma. Edwina C. Laperal**, 52, Filipino, has been a Director of the Corporation since May 2007. She is a graduate of B.S. Architecture at the University of the Philippines, obtained her Master's Degree in Business Administration at the same University, and earned her Executive Certificate for Strategic Business Economics Program at the University of Asia & The Pacific. She is currently a Director and Treasurer of Dacon Corporation, DMCI Holdings, Inc. *(listed company)*, D.M. Consunji, Inc., and DMCI Project Developers, Inc.; and Director of SEM-Calaca Power Corporation, and DMC Urban Property Developers, Inc.

9. **George G. San Pedro**, 74, Filipino, has been a Director of the Corporation since May 2001 and currently serves as the Corporation's Vice-President for Operations and Resident Manager. He is a graduate of B.S. Civil Engineering at the University of the Philippines. He is also the President of Divine Word School of Semirara Island, Inc. and Vice-President of Semirara Training Center, Inc. He used to work for D.M. Consunji, Inc., Dacon Wood Based Companies, DMC Construction Equipment Resources, Inc., and CONBROS Shipping Corporation.

10. **Victor C. Macalincag**, 78, Filipino, has been an Independent Director of the Corporation since May 2005 and currently serves as the Chairman of the Audit Committee, and a member of both Compensation & Remuneration and Nomination & Election Committees of the Corporation. He is a holder of a Bachelor of Business Administration (BBA) degree from the University of the East and a Certified Public Accountant (CPA). He completed his academic requirements for a Masteral Degree in Economics and is a fellow of the Economic Development Institute of the World Bank. Currently, he is an Independent Director of Ceres Property Ventures, Inc., Crown Equities, Inc. *(listed company)*, Republic Glass Holdings, Corporation *(listed company)*, ISM Communications Corporation *(listed company)*, Atok-Big Wedge Co., Inc. *(listed company)*, and SEM-Calaca Power Corporation. He is also the Chairman of the Board of One Wealthy Nation Fund, Inc. and a Regular Director of Asian Alliance Investment Corp. He was formerly the Undersecretary of Finance (1986-1991), Deputy Minister of Finance (1981-1986), Treasurer of the Philippines (1983-1987), President of Trade & Investment Development Corporation of the Philippines (PHILEXIM) (1991-2001). He was also a director of the Home Guarantee Corporation (1979-2001), the Philippine Overseas Construction Board (1991-2001), the Philippine Long Distance Telephone Company (1988-1995), the National Power Corporation (1978-1986), Universal LRT-7 Corporation (2003-2010), and Philippine Deposit Insurance Corporation (1983-1991). He was

Chairman of Pilipinas Bank (1984-1988) and Executive Vice-President of Land Bank of the Philippines (1981-1982). He was also a director of Philippine Aerotransport, Inc., Paper Industries Corporation of the Philippines, Lumang Bayan Realty Corporation, and Manila Midtown Development Corporation.

11. **Federico E. Puno,** 67, Filipino, has been an Independent Director of the Corporation since May 2005 and currently a member of the Audit Committee, Compensation & Remuneration Committee and Nomination & Election Committee of the Corporation. He is a graduate of B.S. Civil Engineering at the University of the Philippines and obtained his M.S. Industrial Administration degree at the Carnegie Mellon University, Pittsburgh, USA. Currently, he is the President and CEO of TeaM Energy Corporation and San Roque Power Corporation; a Director of Pampanga Sugar Development Corp. and Lima Utilities Corporation; an Independent Director of Republic Glass Holdings, Corp. *(listed company)*, Forum Pacific, Inc. *(listed company)*, and SEM-Calaca Power Corporation. He is also a Consultant of San Fernando Electric. Formerly, he was a Director of Manila Electric Company *(listed company)*, RGC Marine and Transport Corp., Nobel Philippines, Inc., Philippine National Oil Co. & Petrophil Corp., Luzon Stevedoring Corp., Philippine Resource Helicopters Inc., Philippine Dockyard Corp., and Union Savings Bank. He was also the President of National Power Corporation, San Roque Power Corp., Republic-Asahi Glass Corp., and Republic Glass Holdings, Corp.; Chief Financial and Management Services of the Ministry of Energy, Assistant Treasurer of the Ministry of Finance, and Ministry Energy Representative of the National Electrification Administration.

Executive Officers:

Name		Position
Isidro A. Consunji*	-	Vice-Chairman & CEO
Victor A. Consunji*	-	President & COO
Ma. Cristina C. Gotianun*	-	Executive Vice President
George G. San Pedro*	-	VP-Operations/Resident Manager
Junalina S. Tabor	-	Chief Finance Officer
Jaime B. Garcia	-	VP-Procurement & Logistics
Denardo M. Cuayo	-	VP-Business Development
Nena D. Arenas	-	Chief Governance Officer & Compliance Officer
John R. Sadullo	-	VP-Legal & Corporate Secretary
Antonio R. delos Santos	-	VP-Treasury
Jose Anthony T. Villanueva	-	VP-Marketing
Sharade E. Padilla	-	AVP-Investor and Banking Relations

**Member of the Board*

1. **Jaime B. Garcia**, 58, Filipino, is the Vice President for Procurement and Logistics and has held as such since May 2006. Over 25 years of experience in senior management level with D.M. Consunji Group of Companies inclusive of overseas experience in strategic sourcing and supply chain management, procurement, materials management and logistics in coal mining industry, energy (coal fired power plant), construction, shipping, agro-forest timber and wood processing, aviation and maritime industry. He graduated with a degree of B.S. Management and Industrial Engineering at Mapua Institute of Technology and obtained his Master's degree in Business Administration at De La Salle University in 1994 and in Business Economics at the University of Asia & the Pacific in 1998. He is currently holding the position of Secretary and Treasurer of Royal Star Aviation, Inc., Director of Semirara Cement Corporation, Executive Vice-President of DMC Construction Equipment Resources, Inc., Director & Vice President of M&S Company, Inc., Vice President of Zanorte Palm-Rubber Plantation Inc., and South Davao Development Co., Inc.

2. **Junalina S. Tabor**, 50, Filipino, has been the Chief Finance Officer of the Corporation since May 2010. She graduated *Magna Cum Laude* with a degree of Bachelor in Science in Commerce, Major in Accounting 1984 at Saint Joseph College and is a Certified Public Accountant. She obtained her Master of Public Administration at the University of the Philippines in 1995 under the Local Scholarship Program (LSP) of the Civil Service Commission. She earned her Certificate in Business Economics from the School of Economics, University of Asia and The Pacific in June 2012 under its Strategic Business Economics Program (SBEP) and also completed the modular course in Computer Literacy Program at Systems Technology Institute as half scholar in 1988. Prior to joining the Corporation in 1997, she held various positions with the Commission on Audit from State Auditor Examiner to State Auditor in 1984-1997. She was Team Leader in

special audit engagements in certain government owned and controlled corporations from 1994-1996. She is also concurrently the Chief Finance Officer of SEM-Calaca Power Corporation.

3. **John R. Sadullo**, 43, Filipino, is the Vice-President for Legal (appointed November 2013), Corporate Secretary, Legal Counsel and Corporate Information Officer of the Corporation, and has held as such since May 2005. He graduated with a degree of A.B. Major in Political Science at the University of Santo Tomas. He obtained his Bachelor of Laws Degree at San Beda College of Law, took the BAR exam in 1996 and was admitted in 1997. He currently holds the position of Corporate Secretary of SEM-Calaca Power Corporation, Southwest Luzon Power Generation Corporation, Semirara Energy Utilities Inc., St. Raphael Power Generation Corporation, SEM-Balayan Power Generation Corporation, Semirara Claystone Inc., SEM-Cal Industrial Park Developers Inc., and SEM-Calaca Res Corporation. He is also the Assistant Corporate Secretary of Semirara Training Center, Inc. and previously the Corporate Secretary of DMCI Mining Corporation, DMCI Masbate Power Corporation, and DMCI Concepcion Power Corporation.

4. **Denardo M. Cuayo**, 49, Filipino, has been the Vice-President for Business Development of the Corporation since May 2011. He graduated with a degree of BS Electrical Engineering at the University of the Philippines in 1986 and placed 11th at the 1987 Electrical Engineering Board Examinations. He is currently the Vice-President for Business Development of Southwest Luzon Power Generation Corporation, a wholly-owned subsidiary of the Corporation. Prior to joining the Corporation, he was the Business Development Consultant of DMCI Power Corporation; Asst. Vice President & Plant Manager of San Miguel Corporation; and Cadet Engineer of Manila Electric Company.

5. **Nena D. Arenas**, 53, Filipino, is the Chief Governance Officer and Compliance Officer of the Corporation and has held as such since August 2013. Before her appointment, she was Good Governance Officer of the Corporation since July 2005. Prior to joining the Corporation, she was a Director, Chief Finance Officer and Vice-President of MCA Universal Inc.; Director of MCA Music Inc. and Reach Youth Ministries, a non-stock, non-profit organization. She has more than fifteen years extensive experience in finance, accounting, budget & forecasting, Information Technology, warehousing, legal & business affairs, human resources and administration management. She also has seven years experience in external audit at SGV & Co. She is currently a Fellow of the Institute of Corporate Directors. She is a Certified Public Accountant and graduated *Cum Laude* with a degree in Bachelor of Science major in Accounting at the University of St. La Salle.

6. **Antonio R. delos Santos,** 61, Filipino, is the Vice-President for Treasury since November 2013. He graduated with a degree of Bachelor of Science in Business Administration at De La Salle University. He was the Treasury Head of the Corporation prior his appointment. Before joining the Corporation, he was the Finance Officer of DMCI Holdings, Inc.

7. **Jose Anthony T. Villanueva,** 49, Filipino, is the Vice-President for Marketing since November 2013. He received his Bachelor of Science Degree in Mechanical Engineering and obtained his Master's Degree in Business Administration both at De La Salle University. He also earned his Master's Degree in Public Management at the University of the Philippines. He has undergone intensive training in financial modeling in Singapore and completed the Petroleum Energy Policy and Management Program in Norway as full scholar of the Norwegian Petroleum Directorate. Prior to his appointment, he was the Marketing Manager of the Corporation since 2011. For more than 20 years he has been the forefront of the energy industry and held various positions as Department Manager for Finance and Planning, Business Development and Information Technology, Corporate Planning and as General Manager for Coal Division of state-owned company engaged in the exploration, development and production of geothermal, oil and gas and coal in the Philippines.

8. **Sharade E. Padilla**, 35, Filipino, is the Assistant Vice-President for Investor and Banking Relations and has held as such since November 2013. She graduated *Magna Cum Laude* with a degree of Bachelor of Business Administration, Major in Management and obtained her Master's degree in Business Administration both at Siliman University. Before her appointment, she held the following positions in the Corporation: Investment Relations and Business Development Officer (2007-2013), and Senior Financial Analyst (2003-2007). She is currently the Treasury Officer of Southwest Luzon Power Generation Corporation, a wholly-owned subsidiary of the

Corporation. Her previous affiliations include Jr. Financial Analyst, Dacon Corporation; and Information Officer/Executive Assistant of the City Administrator of Tacloban City. She has nine years experience in investor relations and more than eleven years experience in financial analysis and in treasury and banking relations, among others.
12.

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

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

The record of attendance of Directors to board meetings for the year 2013 is as follows:

Board	Name	Date of Election	Number of Meeting Held during the Year	Meetings Attended	%
Chairman	David M. Consunji	May 6, 2013	9	8	89
Vice-Chairman	Isidro A. Consunji	May 6, 2013	9	8	89
Member	Victor A. Consunji	May 6, 2013	9	9	100
Member	Jorge A. Consunji	May 6, 2013	9	8	89
Member	Herbert M. Consunji	May 6, 2013	9	8	89
Member	Cesar A. Buenaventura	May 6, 2013	9	9	100
Member	Ma. Cristina C. Gotianun	May 6, 2013	9	9	100
Member	Ma. Edwina C. Laperal	May 6, 2013	9	9	100
Member	George G. San Pedro	May 6, 2013	9	6	67
Independent	Victor C. Macalincag	May 6, 2013	9	9	100
Independent	Federico E. Puno	May 6, 2013	9	9	100

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

Term of Office. - The term of office of the Directors and Executive Officers is one (1) year from their election. All Directors will have served for a period of approximately twelve (12) months by May 5, 2014.

Independent Directors. - Under its Revised Code of Corporate Governance, as amended, submitted to the SEC on March 8, 2011, the Corporation is required to have at least two (2) Independent Directors or such number of Independent Directors as shall constitute at least twenty percent (20%) of the members of the Board of Directors of the Corporation, whichever is lesser. The two (2) nominees for Independent Directors will be selected by the Nomelec in accordance with the guidelines in the Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, Series of 2009) and the Guidelines on the Nomination and Election of Independent Directors (SRC Rule 38).

On December 8, 2008, the SEC approved the amendment to the Corporation's By-Laws to include Art. III thereof on the adoption of SRC Rule 38. The Corporation abides to SRC Rule 38, its By-Laws, and the relevant or subsequent circulars, memoranda or notices of SEC regarding the qualifications, nomination and election, the submission of Certificate of Qualification, and the required number of independent directors. DMCI Holdings, Inc. (DHI) is the majority stockholder of the Corporation and the nominated independent directors are neither stockholders nor directors of DHI.

In 2013, Messrs. Victor C. Macalincag and Federico E. Puno were nominated by a non-controlling stockholder and elected by the stockholders as independent directors of the Company. To date,

they have served as such since 2004. The Company has not encountered any restraint from the stockholders in retaining its independent directors. It has been a consensus of the stockholders to elect them during the meeting. Notwithstanding the recent SEC Memorandum Circular No. 9, Series of 2011, which took effect on January 2, 2012, the independent directors herein are compliant with the term limit requirement.

Other Directorship Held in Reporting Companies:

David M. Consunji	▪ Chairman, DMCI Holdings, Inc.
Cesar A. Buenaventura	▪ Vice-Chairman, DMCI Holdings, Inc. ▪ PetroEnergy Resources Corporation ▪ iPeople, Inc.
Isidro A. Consunji	▪ President & CEO, DMCI Holdings, Inc. ▪ Director, Crown Equities, Inc. ▪ Director, Atlas Consolidated Mining and Development Corp.
Jorge A. Consunji	▪ Director, DMCI Holdings, Inc.
Victor A. Consunji	▪ Director, DMCI Holdings, Inc.
Herbert M. Consunji	▪ Director, DMCI Holdings, Inc.
Ma. Cristina C. Gotianun	▪ Director, DMCI Holdings, Inc.
Ma. Edwina C. Laperal	▪ Director, DMCI Holdings, Inc.
Victor C. Macalincag	▪ Independent Director, Crown Equities, Inc. ▪ Independent Director, Republic Glass Holdings, Inc. ▪ Independent Director, ISM Communications Corp. ▪ Independent Director, Atok-Big Wedge Co., Inc.
Federico E. Puno	▪ Independent Director, Republic Glass Holdings, Inc.

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

Names	Citizenship	Position	Age
Isidro A. Consunji	Filipino	Vice-Chairman/CEO	65
Victor A. Consunji	Filipino	President/COO	63
Ma. Cristina C. Gotianun	Filipino	Executive Vice President	59
Junalina S. Tabor	Filipino	Chief Finance Officer	50
George G. San Pedro	Filipino	VP-Operations/Resident Manager	74
Jaime B. Garcia	Filipino	VP-Procurement & Logistics	58
Denardo M. Cuayo	Filipino	VP-Business Development	49
Nena D. Arenas	Filipino	Chief Governance Officer/Compliance Officer	53
John R. Sadullo	Filipino	VP-Legal & Corporate Secretary	43
Antonio R. delos Santos	Filipino	VP-Treasury	61
Jose Anthony T. Villanueva	Filipino	VP-Marketing	49
Sharade E. Padilla	Filipino	AVP-Investor and Banking Relations	35

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

Mr. David M. Consunji is the father of Messrs. Isidro A. Consunji, Victor A. Consunji, Jorge A. Consunji, Ma. Cristina C. Gotianun and Ma. Edwina C. Laperal. Mr. Herbert M. Consunji is nephew of Mr. David M. Consunji and cousin of Messrs. Isidro A. Consunji, Victor A. Consunji Jorge A. Consunji, Ma. Cristina C. Gotianun and Ma. Edwina C. Laperal.

(4) Involvement in Certain Legal Proceedings. - None of the directors and officers was involved in the past five years in any bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding, nor been subject to any order, judgment or decree of competent jurisdiction, permanently enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court or administrative body to have violated a securities or commodities law.

Except for the following, none of the directors and executive officers of the Company is subject to any pending criminal cases:

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

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

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

The Petition for Review, however, filed by the Complainants with the DOJ on August 26, 2005 is pending to date.

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

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

B. EXECUTIVE COMPENSATION

All executive officers of the Company are elected or appointed by the Board of Directors and serve for one year and until their successors are duly elected and qualified. Set forth below are the names of the CEO and five (5) most highly compensated officers of the Company:

Name and Principal Position	Years	Salary	Bonus	Other Annual Compensation
Isidro A. Consunji Vice-Chairman & CEO				
Victor A. Consunji President and COO				
George G. San Pedro VP & Resident Manager				
Jaime B. Garcia VP-Procurement & Logistics				
Junalina S. Tabor Chief Finance Officer				
	2012	10,042,500.00	60,588,235.59	3,165,753.43
	2013	10,649,058.33	71,617,647.35	3,396,451.27
	2014*	10,649,058.33	71,617,647.35	3,396,451.27
	Total	**₱31,340,616.66**	**₱203,823,530.29**	**₱9,958,655.97**

All other Directors and Officers as a group	2012	8,979,750.00	24,745,000.12	4,363,863.01
	2013	9,107,385.09	27,665,058.95	4,657,794.44
	2014*	9,107,385.09	27,665,058.95	4,657,794.44
	Total	**₱27,194,520.18**	**₱80,075,118.02**	**₱13,679,451.89**

**Approximate amounts*

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

All directors of the Corporation receive an annual retainer fee of ₱240,000.00 as approved in the May 2009 Annual Stockholders' Meeting and ₱20,000.00 fixed per diem for every meeting held and attended for each of the directors who serves as Chairman and members of the Corporation's Board Committees. Aside from executive Directors with employment compensation, there are no other directors with arrangements such as consulting contracts.

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

In 2013, aggregate amount of cash bonus variable pay related to the preceding year's financial performance received by executive and non-executive Directors, including Independent Directors and the CEO, did not exceed abovementioned limits set by the Company's Amended By-laws.

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

C. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(1) Security Ownership of Certain Record and Beneficial Owners. - The following table sets forth as of March 10, 2014, the record or beneficial owners of more than 5% of the outstanding common shares of the Company and the amount of such record or beneficial ownership.

Title of Class	Name, Address of record owner and relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizen-ship	Amount/ Nature of Record/ Beneficial Ownership	% of Class
Common	DMCI Holdings, Inc., 3/F DACON Building, 2281 Pasong Tamo Ext., Makati City, Stockholder of record	1. Dacon Corporation, stockholder of 1,215,393,901 shares or 45.77% 2. DFC Holdings, Inc., stockholder of 461,999,838 or 17.40% 3. PCD Nominee Corp. (Filipino), stockholder of 455,207,883shares or 17.14% 4. PCD Nominee Corporation (Foreign), stockholder of 443,210,923shares or 16.69%	Filipino	200,647,533 (R)	56.32
Common	PCD Nominee Corp., stockholder of record	N/A	Filipino	48,243,331	13.54

Common	Dacon Corporation, 2/F DMCI Plaza, 2281 Don Chino Roces, Makati City, stockholder of record	Inglebrook Holdings, Inc. holds 9,948,510 shares or 12.42%[11]	Filipino	43,608,509	12.24
Common	PCD Nominee Corp., stockholder of record	Hongkong and Shanghai Banking Corp. Ltd. holds 27,965,184 shares or 7.85%	Foreign	42,378,964	11.90

(2) Security Ownership Management. - The table sets forth as of March 10, 2014 the beneficial stock ownership of each Director of the Company and all Officers and Directors as a group.

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership			Citizenship	%
		Direct	Indirect[12]	Total		
Common	David M. Consunji	12	202	212	Filipino	0.00%
Common	Isidro A. Consunji	2,012	323,306	325,318	Filipino	0.09%
Common	Cesar A. Buenaventura	6,010	-	6,010	Filipino	0.00%
Common	Victor A. Consunji	12	527,138	527,150	Filipino	0.15%
Common	Jorge A. Consunji	12	8,262	8,274	Filipino	0.00%
Common	Herbert M. Consunji	23,060	-	23,060	Filipino	0.01%
Common	Victor C. Macalincag	271,630	7,000	278,630	Filipino	0.08%
Common	George G. San Pedro	40,030	-	40,030	Filipino	0.01%
Common	Federico E. Puno	60,010	-	60,010	Filipino	0.02%
Common	Ma. Cristina C. Gotianun	119	397,098	397,217	Filipino	0.11%
Common	Ma. Edwina C. Laperal	349	423,398	423,747	Filipino	0.12%
Common	Jaime B. Garcia	48,036	-	48,036	Filipino	0.01%
Common	Denardo M. Cuayo	1,500	-	1,500	Filipino	0.00%
Common	Nena D. Arenas	800	-	800	Filipino	0.00%
Common	Antonio R. Delos Santos	5,000	-	5,000	Filipino	0.00%
Common	Jose Anthony T. Villanueva	250	4,630	4,880	Filipino	0.00%
Common	Sharade E. Padilla	600	90	690	Filipino	0.00%
Aggregate Ownership of all directors and officers as a group		**459,442**	**1,691,122**	**2,150,564**	Filipino	0.60%

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

D. CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

There has been no transaction or proposal, for the last two (2) years, to which the Company was or is party, in which any of the directors, executive officers or nominees for director has direct or indirect material interest, outside the recurring regular business transactions incurred by the Company to support the business. Related parties' services were sought to take advantage of affiliated companies' expertise and for cost efficiency, among others. These related party transactions were trade related and transacted at arms-length basis and at terms generally available to an unaffiliated third party or more clearly independent parties, under the same or similar circumstances. There were no transactions in the form of direct financial assistance to affiliates or related entities which are not wholly owned subsidiaries. Note 18 of Notes to Parent Company Financial Statements and Note 18 of Notes to Consolidated Financial Statements for the period ended December 31, 2013 indicate the Company's significant transactions with related parties.

[11] Other beneficial owners of Dacon Corporation with the same number of shares are Eastheights Holdings, Inc., Gulfshore Inc., Valemount Corporation, Chrismon Investment Inc., Jagjit Holdings, Inc., La Lumiere Holdings, Inc., Rice Creek Holdings, Inc. while Double Spring Investments Corporation only holds 201,909 shares or .64% of Dacon's issued and outstanding shares.

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

PART V – EXHIBITS AND SCHEDULES

A. Exhibits and reports on SEC Form 17-C

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

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

No.	Subject	Date Reported
1.	Execution of Coal Operating Contract dated April 29, 2013 between DOE and the Corporation covering two parcels of coal-bearing land located in the Municipality of Bulalacao, Province of Mindoro with an aggregate area of 7,000 hectares.	June 3, 2013
2.	Approval by the Board of Directors of the Corporation's 2nd quarter consolidated financial statements as of and for the interim period ended June 30, 2013; appropriation of ₱1.6 billion from the Corporation's unappropriated retained earnings to cover capital expenditures and investments for power plant expansion; and resignation of Ma. Cristina C. Gotianun as Compliance Officer and the appointment of Nena D. Arenas as Chief Governance Officer and Compliance Officer.	August 8, 2013
3.	Clarification of news article published in the Manila Bulletin (internet edition) on August 30, 2013 entitled "Meralco seeking refund from suppliers."	September 2, 2013
4.	Submission of the results of the Corporation's Audit Committee Self-Assessment with an overall rating of 9.1.	September 9, 2013
5.	Receipt of Entry of Judgment dated September 2, 2013 where the March 27, 2013 decision of the NLRC dismissing the case against the Corporation for lack merit became final and executory in the case *"Bornea, Jr., Appellant, vs. Semirara Mining Corp., et. al., Appellee, NLRC Case No. MAC-06-012592-2012 (RAB-XI-00663-11), NLRC, Cagayan de Oro City."*	September 9, 2013
6.	The Corporation awarded 2nd Runner-Up in the ASEAN Best Practices in Coal Projects under the Corporate Social Responsibility Category in its submission dubbed as "5E's Program of Semirara Mining Corporation."	September 26, 2013
	Clarification of news article published in *philSTAR* on October 10, 2013 entitled "Semirara expects another banner year."	October 10, 2013
7.	Update Report dated October 15, 2013 to the Corporation's Technical Report on Bobog Coal Deposit in Semirara Island, CAluya, Antique.	November 8, 2013
9.	Resumption of the Corporation's mining operation in Semirara Island, Caluya, Antique on November 10, 2013 after its operation was suspended due to typhoon Yolanda.	November 11, 2013
10.	Approval by the Board of Directors of the Corporation's 3rd quarter consolidated financial statements as of and for the interim period ended September 30, 2013; and appointment of the following officers of the Corporation: (i) Ma. Cristina C. Gotianun (Executive Vice President); (ii) Antonio R. Delos Santos (VP-Treasury); (iii) John R. Sadullo (VP-Legal); (iv) Jose Anthony T. Villanueva (VP-Marketing); and (v) Sharade E. Padilla (AVP-Investor and Banking Relations).	November 12, 2013
11.	Correction of on previous disclosure dated November 8, 2013 regarding Bobog Coal Deposit Update Report.	November 19, 2013

12.	Update report that construction of 2x150MW CFD (Phase 1) under the Corporation's subsidiary Southwest Luzon Power Generation Corporation is in progress as scheduled, and new configuration for Phase 2 from 2x150MW capacity to 2x350MW using Pulverized Coal technology, which shall also be implemented by the Corporation's another wholly-owned project company.	November 29, 2013
13.	Receipt of Summons on the case *"Daniel G. Fajardo, Plaintiff vs. DMCI (Semirara Coal Mining Operator), The Local Government of Municipality of Caluya, Province of Antique, in its Capacity as local government unit concerned which has supervision and jurisdiction over Semirara Island; The Department of Environmental and Natural Resources (M.G.B. & E.M.B.) office VI, in their capacity as the approving and recommending office in the issuance of license as well as the other necessary permits to operate coal mining in Semirara Island and the Provincial Government of Antique, Defendants, Civil Case No. C-271, Regional Trial Court, Branch 13, Culasi, Antique,"* which was filed pursuant to Supreme Court Administrative Matter No. 09-6-8-SC otherwise known as "Rules of Procedures for Environmental Cases."	December 9, 2013
14.	Submission of Amended Certification on Qualification of Independent Director by Victor C. Macalincag.	December 16, 2013
15.	Retirement of George B. Baquiran, VP-Special Projects effective January 31, 2014.	January 20, 2014
16.	Attendance of directors and officers in corporate governance training program pursuant to SEC Memorandum Circular No. 20, series of 2013.	February 13, 2014
17.	Clarification of news article entitled "Semirara sees P8B net profit this year" published in *Inquirer.net* on February 19, 2014.	February 19, 2014

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Makati on this 11th day of April 2014.

By:

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

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

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

LEANDRO D. COSTALES
Accounting Manager
(Principal Accounting Officer)

JOHN R. SADULLO
Corporate Secretary

SUBSCRIBED AND SWORN, to before me on this 14 day of April 2014, at Makati City, Metro Manila, affiants exhibited to me:

Name	Passport/Valid ID No.	Expiry Date/Place Issued
Isidro A. Consunji	EB2033364	March 6, 2016/DFA, Manila
Victor A. Consunji	EB5899814	July 10, 2017/DFA, Manila
Junalina S. Tabor	EB9486755	October 30, 2018/DFA, NCR Central
John R. Sadullo	DL – N01-02-005690	July 22, 2014/LTO, Q.C.
Leandro D. Costales	SSS-33-5912087-4	N.A./SSS, Quezon City

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

Doc. No. 23 ;
Page No. 5 ;
Book No. 1 ;
Series of 2014.

REDENCIO C. VILLARIVERA
Notary Public for the City of Makati
For the term ending 31 December 2015
Roll No. 45335; Appointment No. M-356
4th Floor, Dacon Building, No. 2281
Paseng Tamo Extension, Makati City
IBP No. 961104/Jan. 23, 2014/Makati
PTR No. 4249591/Jan. 23, 2014/Makati

SEMIRARA MINING CORPORATION

SEC FORM 17-A

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

CONSOLIDATED FINANCIAL STATEMENTS

Statement of Management Responsibility for Financial Statements -------------------------
Report on Independent Public Accountants ---
Consolidated Statements of Financial Position as of December 31, 2012 & 2011 ----------
Consolidated Statements of Cash Flows as of December 31, 2012 & 2011 -----------------
Notes to Consolidated Financial Statements ---

SUPPLEMENTARY SCHEDULES

Report of Independent Public Accountants on Supplementary Schedules

A. Financial Assets --
B. Amounts receivable from directors, officers, employees, related parties, and principal stockholders (other than affiliates) ---
C. Amounts Receivables/Payables from/to related parties which are eliminated during the consolidation of financial statements --
D. Intangible Assets – Other Assets --
E. Long-Term Debt --
F. Indebtedness to Related Parties -- N/A
G. Guarantees of Securities of Other Issuers -- N/A
H. Capital Stock ---
I. Schedule of all the effective standards and interpretations ----------------------------
J. Retained Earnings ---
K. Schedule on Financial Soundness Indicators --
L. Map of the Relationships of the Companies within the Group ------------------------

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **SEMIRARA MINING CORPORATION** is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2013 and 2012, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

Signed this 19th day of March 2014.

DAVID M. CONSUNJI
Chairman of the Board

ISIDRO A. CONSUNJI
Chief Executive Officer

JUNALINA S. TABOR
Chief Finance Officer

MAR 21 2014

SUBSCRIBED AND SWORN, to before me on this ____ day of March 2014, at Makati City, Metro Manila, affiants exhibited to me:

Name	Passport/CTC No.	Expiry Date/Place Issued
David M. Consunji	EB0531746	July 6, 2015/DFA, Manila
Isidro A. Consunji	EB2033364	March 6, 2016/DFA, Manila
Junalina S. Tabor	EB9486755	October 30, 2018 / DFA NCR Central

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

Doc. No. 213;
Page No. 45;
Book No. 10;
Series of 2014.

MARIO E. ESPIRITU, JR.
Commission No. M-83
Notary Public for City of Makati
Until December 31, 2015
1/F Floor MMI Bldg.
2283 Pasong Tamo Ext. Makati City
PTR No. 4769474 01-07-14 Trece Martires City
IBP No. 929663 12-05-13 Cavite Chapter
Roll No. 39509

COVER SHEET

Paranaque for SEC

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

SEC Registration Number

SEMIRARA MINING CORPORATION

(Company's Full Name)

2nd Floor, DMCI Plaza Building, 2281 Pasong Tamo Extension, Makati City

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

Ms. Junalina S. Tabor
(Contact Person)

816-7301
(Company Telephone Number)

1	2		3	1

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

663
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 15 2014
EXCISE LT REGULATORY DIVISION

Remarks: Please use BLACK ink for scanning purposes.

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

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

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Semirara Mining Corporation
2nd Floor, DMCI Plaza Building
2281 Pasong Tamo Extension
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, 2013 and 2012 and the parent company statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

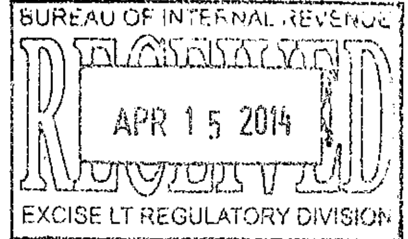
Management is responsible for the preparation and fair presentation of these parent company financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements 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 audit 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.



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, 2013 and 2012, and its financial performance and its cash flows for the years then ended 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, as Amended (2011). Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-A (Group A),
May 31, 2012, valid until May 30, 2015
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225226, January 2, 2014, Makati City

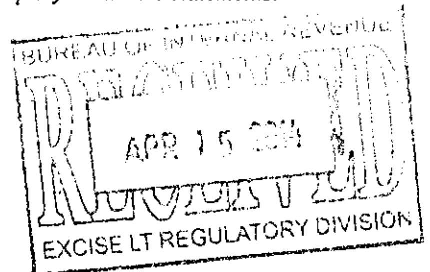
March 19, 2014

I.C.T.D.
APR 15 2014
RECEIVED SUBJECT TO REVIEW

SEMIRARA MINING CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31, 2013	December 31, 2012 As restated (see Note 2)	January 1, 2012 As restated (see Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 4, 28 and 29)	**₱1,709,480,819**	₱410,164,655	₱3,752,017,619
Receivables (Notes 5, 28 and 29)	**2,275,591,739**	2,098,503,584	1,914,953,792
Inventories (Note 6)	**3,603,821,132**	4,544,563,761	3,002,209,507
Other current assets (Note 7)	**853,738,563**	1,642,060,280	870,330,354
Total Current Assets	**8,442,632,253**	8,695,292,280	9,539,511,272
Noncurrent Assets			
Investments in subsidiaries (Note 8)	**13,242,694,852**	11,313,316,605	8,772,700,560
Property, plant and equipment (Note 9)	**3,394,050,639**	3,385,461,773	3,638,097,932
Investment property (Note 8)	**–**	–	83,981,100
Exploration and evaluation asset (Note 10)	**348,152,639**	–	–
Deferred tax assets (Note 25)	**135,181,808**	9,210,105	1,772,607
Other noncurrent assets (Note 11)	**178,229,367**	115,361,497	158,450,106
Total Noncurrent Assets	**17,298,309,305**	14,823,349,980	12,655,002,305
	₱25,740,941,558	₱23,518,642,260	₱22,194,513,577
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables (Notes 12, 28 and 29)	**₱4,323,726,855**	₱4,815,450,528	₱4,693,213,993
Short-term loans (Notes 13, 28 and 29)	**1,655,079,934**	138,474,613	623,457,376
Current portion of long-term debt (Notes 14, 28 and 29)	**631,518,875**	3,668,712,959	1,461,965,924
Total Current Liabilities	**6,610,325,664**	8,622,638,100	6,778,637,293
Noncurrent Liabilities			
Long-term debt-net of current portion (Notes 14, 28 and 29)	**4,159,178,693**	1,106,370,593	2,634,272,193
Pension liabilities (Note 19)	**22,103,067**	36,547,475	6,772,120
Provision for decommissioning and site rehabilitation (Note 15)	**185,885,154**	52,696,210	43,894,479
Total Noncurrent Liabilities	**4,367,166,914**	1,195,614,278	2,684,938,792
Total Liabilities	**10,977,492,578**	9,818,252,378	9,463,576,085
Equity			
Capital stock (Notes 16 and 28)	**356,250,000**	356,250,000	356,250,000
Additional paid-in capital (Notes 16 and 28)	**6,675,527,411**	6,675,527,411	6,675,527,411
Remeasurement losses on pension plan (Notes 2 and 19)	**(5,059,113)**	(18,465,694)	(2,072,866)
Retained earnings (Notes 17 and 28)	**7,736,730,682**	6,687,078,165	5,701,232,947
Total Equity	**14,763,448,980**	13,700,389,882	12,730,937,492
	₱25,740,941,558	₱23,518,642,260	₱22,194,513,577

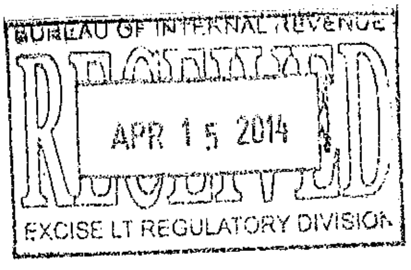
See accompanying Notes to Parent Company Financial Statements.



SEMIRARA MINING CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2013	2012 As restated (see Note 2)
SALES (Notes 18 and 30)	**₱16,677,421,744**	₱17,626,630,195
COST OF SALES (Note 20)	**11,732,566,593**	12,329,463,972
GROSS PROFIT	**4,944,855,151**	5,297,166,223
OPERATING EXPENSES (Note 21)	**(1,714,881,437)**	(2,000,406,105)
INCOME FROM OPERATIONS	**3,229,973,714**	3,296,760,118
OTHER INCOME (CHARGES)		
Dividend income (Note 8)	**2,500,000,000**	1,500,000,000
Finance income (Notes 4 and 23)	**1,889,231**	13,115,104
Finance costs (Note 22)	**(152,627,804)**	(122,607,385)
Foreign exchange gains (losses) - net	**(463,937,736)**	387,832,720
Other income (Note 24)	**77,902,774**	187,184,611
	1,963,226,465	1,965,525,050
INCOME BEFORE INCOME TAX	**5,193,200,179**	5,262,285,168
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)	**(131,452,338)**	1,439,950
NET INCOME	**5,324,652,517**	5,260,845,218
OTHER COMPREHENSIVE INCOME		
Items not to be reclassified to profit or loss in subsequent periods		
Remeasurement gains (losses) on pension plan (Notes 2 and 19)	**19,152,259**	(23,418,326)
Income tax effect	**(5,745,678)**	7,025,498
TOTAL COMPREHENSIVE INCOME	**₱5,338,059,098**	₱5,244,452,390

See accompanying Notes to Parent Company Financial Statements.



SEMIRARA MINING CORPORATION
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Unappropriated Retained Earnings (Note 17)	Appropriated Retained Earnings (Note 17)	Remeasurement Gains (Losses) on Pension Plan (Note 2)	Total
			For the Year Ended December 31, 2013			
Balances as of December 31, 2012, as previously stated	**₱356,250,000**	**₱6,675,527,411**	**₱5,990,102,715**	**₱700,000,000**	**₱–**	**₱13,721,880,126**
Effect of the adoption of Revised PAS 19 (Note 2)	–	–	(3,024,550)	–	(18,465,694)	(21,490,244)
Balances as of December 31, 2012, as restated	356,250,000	6,675,527,411	5,987,078,165	700,000,000	(18,465,694)	13,700,389,882
Comprehensive income:						
Net income for the year	–	–	5,324,652,517	–	–	5,324,652,517
Other comprehensive income	–	–	–	–	13,406,581	13,406,581
Total comprehensive income	–	–	5,324,652,517	–	13,406,581	5,338,059,098
Appropriation (Note 17)	–	–	(1,600,000,000)	1,600,000,000	–	–
Cash dividends (Note 17)	–	–	(4,275,000,000)	–	–	(4,275,000,000)
Balances as of December 31, 2013	**₱356,250,000**	**₱6,675,527,411**	**₱5,436,730,682**	**₱2,300,000,000**	**(₱5,059,113)**	**₱14,763,448,980**
			For the Year Ended December 31, 2012			
Balances as of January 1, 2012, as previously stated	₱356,250,000	₱6,675,527,411	₱5,004,615,633	₱700,000,000	₱–	₱12,736,393,044
Effect of the adoption of Revised PAS 19 (Note 2)	–	–	(3,382,686)	–	(2,072,866)	(5,455,552)
Balances as of January 1, 2012, as restated	356,250,000	6,675,527,411	5,001,232,947	700,000,000	(2,072,866)	12,730,937,492
Comprehensive income:						
Net income, as previously stated	–	–	5,260,487,082	–	–	5,260,487,082
Effect of the adoption of Revised PAS 19 (Note 2)	–	–	358,136	–	–	358,136
Net income, as restated	–	–	5,260,845,218	–	–	5,260,845,218
Other comprehensive income, as previously stated	–	–	–	–	–	–
Effect of the adoption of Revised PAS 19 (Note 2)	–	–	–	–	(16,392,828)	(16,392,828)
Other comprehensive income, as restated	–	–	–	–	(16,392,828)	(16,392,828)
Total comprehensive income, as restated	–	–	5,260,845,218	–	(16,392,828)	5,244,452,390
Cash dividends (Note 17)	–	–	(4,275,000,000)	–	–	(4,275,000,000)
Balances as of December 31, 2012, as restated	₱356,250,000	₱6,675,527,411	₱5,987,078,165	₱700,000,000	(₱18,465,694)	₱13,700,389,882

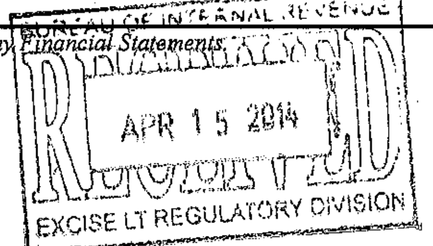
See accompanying Notes to Parent Company Financial Statements.

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 15 2014
EXCISE LT REGULATORY DIVISION

SEMIRARA MINING CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2013	2012 As restated (see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱5,193,200,179**	₱5,262,285,168
Adjustments for:		
Depreciation and amortization (Notes 9, 11, 20 and 21)	**1,693,027,658**	1,881,821,645
Net unrealized foreign exchange losses (gains)	**305,932,707**	(219,531,841)
Finance costs (Note 22)	**152,627,804**	122,607,385
Provision for (reversal of) allowance for doubtful accounts (Notes 5, 21 and 24)	**29,743,263**	(9,552,129)
Pension expense (Note 19)	**11,339,163**	8,286,117
Loss on disposal of property, plant and equipment (Notes 9 and 21)	**2,100,416**	–
Gain on sale of equipment (Notes 9 and 24)	**(135,073)**	(127,491,090)
Finance income (Note 23)	**(1,889,231)**	(13,115,104)
Provision for (reversal of) impairment losses (Notes 11 and 24)	**(61,549,364)**	47,150,717
Dividend income (Note 8)	**(2,500,000,000)**	(1,500,000,000)
Operating income before changes in operating assets and liabilities	**4,824,397,522**	5,452,460,868
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	**(207,872,261)**	(174,516,980)
Inventories	**1,071,548,903**	(1,321,507,760)
Other current assets	**788,324,472**	(773,837,169)
Increase (decrease) in:		
Trade and other payables	**(362,383,809)**	125,846,215
Net cash generated from operations	**6,114,014,827**	3,308,445,174
Benefits paid (Note 19)	**(6,631,312)**	(1,929,088)
Interest received	**1,886,476**	15,222,345
Interest paid	**(149,728,828)**	(117,386,442)
Income taxes paid	**(265,043)**	(1,851,962)
Net cash flows provided by operating activities	**5,959,276,120**	3,202,500,027
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received (Note 8)	**2,500,000,000**	1,500,000,000
Proceeds from sale of equipment (Notes 9 and 24)	**135,073**	127,491,109
Additions to computer software (Note 11)	**(4,936,722)**	(1,052,066)
Increase in other noncurrent assets	**(15,344)**	(7,417,300)
Additions to property, plant and equipment (Note 9)	**(1,880,310,937)**	(1,845,624,722)
Additions to investments in subsidiaries (Note 8)	**(2,013,359,347)**	(2,456,634,945)
Additions to exploration and evaluation asset (Note 10)	**(298,731,356)**	–
Proceeds from sale of land (Notes 8 and 18)	**83,981,100**	–
Net cash flows used in investing activities	**(1,613,237,533)**	(2,683,237,924)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	**7,594,105,885**	2,511,152,640
Repayment of loans	**(6,375,471,601)**	(2,034,193,354)
Payment of dividends (Note 17)	**(4,275,000,000)**	(4,275,000,000)
Net cash flows used in financing activities	**(3,056,365,716)**	(3,798,040,714)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**9,643,293**	(63,074,353)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,299,316,164**	(3,341,852,964)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**410,164,655**	3,752,017,619
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱1,709,480,819**	₱410,164,655

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

The Parent Company'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 seven (7) wholly owned subsidiaries namely Sem-Calaca Power Corporation (SCPC), Southwest Luzon Power Generation Corporation (SLPGC), SEM-Cal Industrial Park Developers, Inc. (SIPDI), Semirara Claystone, Inc. (SCI), Semirara Energy Utilities, Inc. (SEUI), St. Raphael Power Generation Corporation (SRPGC) and SEM-Balayan Power Generation Corporation (SBPGC). Nature and status of operations are discussed in Note 8.

The Parent Company financial statements as of December 31, 2013 and 2012 and for the years then ended were endorsed for approval by the Audit Committee on March 3, 2014 and were authorized for issue by the Executive Committee of the Board of Directors (BOD) on March 19, 2014.

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. All amounts are rounded off to the nearest peso, except where otherwise indicated.

The financial statements provide comparative information in respect of the previous period. In addition, the Parent Company presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at January 1, 2012 is presented in the financial statements due to retrospective application of Philippine Accounting Standards (PAS) 19, *Employee Benefits* (Revised 2011).

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

BUREAU OF INTERNAL REVENUE
APR 15 2014
EXCISE LT REGULATORY DIVISION

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

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS, PAS and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) which became effective on January 1, 2013. Adoption of these changes in PFRS constitutes an additional statement of financial position at the beginning of the earliest period due to retrospective application of such amendments. Except as otherwise indicated, the adoption of these new accounting standards and amendments have no material impact on the Parent Company's financial statements.

The nature and the impact of each new standard and amendment are described below:

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  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 date:
  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 statement of financial position;
  c) The net amounts presented in the statement 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.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements,* that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 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. A reassessment of control was performed by the Parent Company on all of its interest in other entities and has determined that there are no additional entities that need to be consolidated or entities to be deconsolidated.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The new standard is effective for periods beginning on or after January 1, 2013 and has no impact on the Parent Company's financial position or performance.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The new standard is effective for periods beginning on or after January 1, 2013 and has no impact on the Parent Company's financial position or performance.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs 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. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Parent Company reassessed its policies for measuring fair values. Additional disclosures, where required, are provided in Note 29. The new standard is effective for periods beginning on or after January 1, 2013.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Parent Company's financial position or performance. The amendments are effective for periods beginning on or after July 1, 2012.

- PAS 19, *Employee Benefits* (Revised)
  On January 1, 2013, the Parent Company adopted the Revised PAS 19.

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Parent Company recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit liability and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, the Parent Company changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in profit or loss in the period they occur.

The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit liability, each as at the beginning of the annual period.

The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Parent Company's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of adoption on the Parent Company financial statements are as follows:

	As at December 31, 2013	As at December 31, 2012 (As restated)	As at January 1, 2012 (As restated)
Increase (decrease) in:			
Statements of Financial Position			
Net defined benefit liability	**(₱11,548,090)**	(₱30,700,336)	(₱7,793,640)
Deferred tax assets	**3,464,427**	9,210,105	2,338,088
Remeasurement losses on pension plan	**5,059,113**	18,465,694	2,072,866
Retained earnings	**3,024,550**	3,024,550	3,382,686

	2013	2012 (As restated)	2011 (As restated)
Statements of Comprehensive Income			
Net income			
General and administrative expenses	**(₱171,175)**	(₱511,623)	(₱915,907)
Income before income tax	**171,175**	511,623	915,907
Provision for income tax	**51,353**	153,487	274,772
Net income for the year	**119,822**	358,136	641,135
Other comprehensive income			
Remeasurement losses of defined benefit liability	**(19,152,259)**	23,418,326	2,961,237
Income tax effects	**5,745,678**	(7,025,498)	(888,371)
Other comprehensive income for the year, net of tax	**₱13,406,581**	(₱16,392,828)	(₱2,072,866)
Total comprehensive income for the year	**₱13,526,403**	(₱16,034,692)	(₱1,431,731)

The adoption did not have an impact on statement of cash flows.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the Parent Company. The revised standard is effective for periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, 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 revised standard is effective for periods beginning on or after January 1, 2013.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. Management has assessed the impact of the interpretation on its coal mining activities both for the open pit mining and the one under exploration and evaluation. Management has concluded that its existing accounting policy is consistent with the requirements of the new interpretation and therefore the adoption did not impact both the financial position and performance of the Parent Company.

- PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans* (Amendments)
  The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance,* prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Parent Company and effective for the periods beginning on or after January 1, 2013.

Annual Improvements to PFRSs (2009-2011 cycle)
The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Parent Company adopted these amendments for the current year. These amendments are not relevant to the Parent Company and effective for the periods beginning on or after January 1, 2013.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Parent Company as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
  These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Parent Company has not included comparative information in respect of the opening statement of financial position as at January 1, 2012. The amendments affect disclosures only and have no impact on the Parent Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not have any significant impact on the Parent Company's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, Income Taxes. The amendment does not have any significant impact on the Parent Company's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Parent Company's financial position or performance.

New Standards and Interpretations Issued but not yet Effective

The Parent Company will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Parent Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for

annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Parent Company's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). The Parent Company does not expect that this amendment would have significant financial impact in the future financial statements.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Parent Company does not expect that IFRIC 21 will have significant financial impact in future financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Parent Company does not expect that this amendment would have significant financial impact in the future financial statements.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments 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 affect presentation only and have no impact on the Parent Company's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

Annual Improvements to PFRSs (2010-2012 cycle)
The *Annual Improvements to PFRSs* (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Parent Company as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Parent Company shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments have no impact on the Parent Company's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Parent Company's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Parent Company's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Parent Company's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The *Annual Improvements to PFRSs* (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Parent Company as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment has no significant impact on the Parent Company's financial position or performance.

- PAS 40, *Investment Property*
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Parent Company's financial position or performance.

- PFRS 9, *Financial Instruments*
PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. 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 the classification and measurement of financial liabilities.

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not

only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Parent Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

In compliance with SEC Memorandum Circular No. 3, Series of 2012, the Parent Company has conducted a study on the impact of an early adoption of PFRS 9. After careful consideration of the results on the impact evaluation, the Parent Company has decided not to early adopt PFRS 9 for its annual 2013 annual financial reporting. Therefore, these financial statements do not reflect the impact of the said standard.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the 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. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Company.

Cash and Cash Equivalents

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

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

Financial Instruments

Date of recognition

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

Initial recognition and measurement of financial instruments

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

As of December 31, 2013 and 2012, 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.

'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's 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's statement 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.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS 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 certain other noncurrent assets.

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

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's statements of comprehensive income when the liabilities are derecognized or impaired, as well as through the amortization process under the "Finance costs" account.

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

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

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

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

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

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

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

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

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

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

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

Loans and receivables
For loans and receivables carried at amortized cost, the 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's statement of comprehensive income during the period in which it arises. Interest income continues to be recognized based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery has been realized or has been transferred to the Parent Company.

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's statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Instruments

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- The Parent Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Parent Company has transferred substantially all the risks and rewards of the asset, or (b) the Parent Company 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 or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Parent Company continues to recognize the transferred asset to the extent of the Parent Company's continuing involvement. In that case, the Parent Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Parent Company has retained.

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's statement of comprehensive income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Parent Company's statement 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 stripping costs and other mine-related costs incurred during the period and allocated on per metric ton basis by dividing the total production cost with total volume of coal produced. Except for shiploading cost, which is a component of total minesite cost, all other production related costs are charged to production cost.

Spare parts and supplies are usually carried as inventories and are recognized in the Parent Company's statement of comprehensive income when consumed.

Exploration and Evaluation Asset

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

Exploration and evaluation activity includes:

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

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

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

Expenditure is transferred from 'Exploration and evaluation asset' to 'Mine properties', which is a subcategory of 'Property, plant and equipment' once the work completed supports the future development of the property.

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

Stripping Costs

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

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below. After the commencement of production further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The costs of such stripping are accounted for in the same way as development stripping (as outlined above).

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

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

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

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

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

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

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

Mining Reserves
Mining reserves are estimates of the amount of coal that can be economically and legally extracted from the 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
Upon completion of mine construction, the assets are transferred into 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.

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

Mine properties are depreciated or amortized on a unit-of-production basis over the economically recoverable reserves of the mine concerned.

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's statement of comprehensive income in the year the item is derecognized.

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

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's statement 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.

Computer Software
Computer software, included under "other noncurrent assets", is measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. The cost of computer software acquired in a business combination is measured initially at fair value as at the date of acquisition. Following initial recognition, computer software is 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.

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

Investments in Subsidiaries
This account includes investments and stock subscriptions in its subsidiaries.

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's statement 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 controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company controls an investee if and only if the Parent Company has:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The subsidiaries are fully consolidated from the date of incorporation, being the date on which the Parent Company obtains control and continues to be consolidated until the date that such control ceases. The Parent Company recognizes income from the investment when its right to receive dividends 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 in subsidiaries, and computer software) 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.

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

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

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

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

Inventories
NRV tests are performed at least annually and represent the estimated sales price based on prevailing price at 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's statement of comprehensive income, in those expense categories consistent with the function of the assets, as being the difference between the cost and NRV of inventories.

Investments in subsidiaries
The Parent Company determines at each reporting date whether there is any objective evidence that the investments 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's statement of comprehensive income.

Current and Noncurrent Classification
The Parent Company presents assets and liabilities in statement of financial position based on current/noncurrent classification. An asset is current when it is either:
- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after reporting date; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

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

The Parent Company classifies all other liabilities as noncurrent.

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

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

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

Dividend income
Revenue is recognized when the Parent Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other income
Other income is recognized when earned.

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

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

Operating Expenses
Operating 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 decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distribution to equity participants. Expenses are recognized in the Parent Company's statement of comprehensive income as incurred.

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

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

Defined benefit costs comprise the following:
- Service costs
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

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

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

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

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

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

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

Deferred tax
Deferred tax is provided, using the balance sheet liability method, on all temporary differences with certain exceptions 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 income will be available against which the deductible temporary differences and the carry forward of unused tax credits from MCIT and NOLCO can be utilized.

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

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

Deferred 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 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's statement of comprehensive income as a finance cost. Additional adjustments 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's statement of comprehensive income.

Leases

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).

Parent Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Finance charges are recognized in the Parent Company's statement of comprehensive income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Parent Company will obtain ownership by the end of the lease term.

A lease is classified as an operating lease if it does not transfer substantially all of the risks and rewards incidental to ownership. Operating lease payments are recognized as an expense in the Parent Company's statement of comprehensive income on a straight line basis over the lease term.

Operating lease payments are recognized in the cost of coal sales under "Outside Services" in the Parent Company statement of comprehensive income on a straight line basis over the lease term.

Foreign Currency Transactions and Translations

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

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 30.

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 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. Actual results could differ from such estimates.

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. *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.

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

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

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

Judgment is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Parent Company considers that the ratio of the expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of the coal body, is the most suitable production measure.

Furthermore, judgments and estimates are also used to apply the units of production method in determining the depreciable lives of the stripping activity asset.

e. *Contingencies*
The 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).

Management's Use of 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 and third-party surveyors. The survey is conducted on a monthly basis with a reconfirmatory survey at year end. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus 5%. Thus, an increase or decrease in the estimation threshold for any period would differ if the 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 obsolescence in spare parts and supplies*

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

The amount and timing of recorded inventory obsolescence for any period would differ if the Parent Company made different judgments or utilized different estimates. An increase in the allowance for inventory obsolescence 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 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 carrying amount of the related mining assets 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 computer software*
The Parent Company estimated the useful lives of its property, plant and equipment and computer software based on the period over which the assets are expected to be available for use. The Parent Company reviews annually the EUL of property, plant and equipment and computer 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 carrying values of the property, plant and equipment are disclosed in Note 9.

g. *Estimating impairment for nonfinancial assets*
The Parent Company assesses impairment on investments in subsidiaries, property, plant and equipment, computer software and input VAT withheld whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the 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 assets fair value and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Parent Company is required to make estimates and assumptions that can materially affect the Parent Company financial statements.

The carrying values of the investments in subsidiaries, property, plant and equipment, computer software and input VAT withheld are disclosed in Notes 8, 9 and 11, respectively.

h. 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 2013, the Parent Company recognized deferred tax assets from various deductible temporary differences as these are expected to reverse within the period of operating activities (see Note 25).

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

Pension liabilities as of December 31, 2013 and 2012 are disclosed in Note 19.

4. Cash and Cash Equivalents

This account consists of:

	2013	2012
Cash in banks and on hand	**₱1,705,335,358**	₱405,331,189
Cash equivalents	**4,145,461**	4,833,466
	₱1,709,480,819	₱410,164,655

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 1.40% to 1.50% and 1.25% to 4.50% in 2013 and 2012, respectively.

In 2013 and 2012, total interest income earned on cash and cash equivalents amounted to ₱1.89 million and ₱13.12 million, respectively (see Note 23).

5. Receivables

	2013	2012
Trade receivables - outside parties	**₱1,071,320,070**	₱1,248,914,458
Trade receivables - related parties (Note 18)	**1,213,605,171**	827,350,648
Others	**26,225,120**	28,053,837
	2,311,150,361	2,104,318,943
Less allowance for doubtful accounts	**35,558,622**	5,815,359
	₱2,275,591,739	₱2,098,503,584

Trade receivables - outside parties
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.

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

Others
Others include advances to site contractors, officers and employees. These are generally noninterest-bearing and are collectible over a period of one year.

Movements in the allowance for doubtful accounts of receivables were as follows:

	2013		
	Trade Receivables - outside parties	**Others**	**Total**
At January 1	**₱–**	**₱5,815,359**	**₱5,815,359**
Provision (Note 21)	**29,743,263**	**–**	**29,743,263**
At December 31	**₱29,743,263**	**₱5,815,359**	**₱35,558,622**
Individual impairment	**₱29,743,263**	**₱5,815,359**	**₱35,558,622**
Gross amounts of individually impaired receivables	**₱29,743,263**	**₱5,815,359**	**₱35,558,622**

	2012		
	Trade Receivables	Other Receivables	Total
At January 1	₱–	₱15,367,488	₱15,367,488
Reversals (Note 24)	–	(9,552,129)	(9,552,129)
At December 31	₱–	₱5,815,359	₱5,815,359
Individual impairment	₱–	₱5,815,359	₱5,815,359
Gross amounts of individually impaired receivables	₱–	₱5,815,359	₱5,815,359

6. Inventories

	2013	2012
Coal inventory at cost	**₱1,860,209,122**	₱2,254,456,431
Spare parts and supplies at NRV	**1,743,612,010**	2,290,107,330
	₱3,603,821,132	₱4,544,563,761

During 2013, the Parent Company provided allowance for inventory obsolescence for nonmoving spare parts and supplies amounting to ₱4.12 million. None was recorded in 2012. As of December 31, 2013 and 2012, allowance for inventory obsolescence amounted to ₱57.41 million and ₱53.29 million, respectively. Provision for inventory obsolescence is recorded under "Materials and supplies" of cost of sales (see Note 20).

Coal inventory are stated at cost, which is lower than NRV. The cost of coal inventories recognized as cost of sales in the Parent Company statements of comprehensive income amounted to ₱11.73 billion and ₱12.33 billion in 2013 and 2012, respectively (see Note 20).

Coal inventory at cost included capitalized depreciation of ₱180.23 million and ₱220.85 million in 2013 and 2012, respectively (see Note 9).

7. Other Current Assets

	2013	2012
Advances to suppliers	**₱423,142,840**	₱1,230,260,138
Creditable withholding tax	**413,716,882**	400,119,622
Others	**16,878,841**	11,680,520
	₱853,738,563	₱1,642,060,280

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.

Others

Others include prepayments on insurance and rental charges.

8. Investments in Subsidiaries

	Ownership	2013	2012
SCPC	**100%**	**₱8,000,000,000**	₱8,000,000,000
SLPGC	**100%**	**5,228,319,852**	3,308,316,605
SEUI	**100%**	**3,125,000**	–
SBPGC	**100%**	**3,125,000**	–
SRPGC	**100%**	**3,125,000**	–
SIPDI	**100%**	**2,500,000**	2,500,000
SCI	**100%**	**2,500,000**	2,500,000
		₱13,242,694,852	₱11,313,316,605

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 2 X 300 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. In 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 March 25, 2013 and April 26, 2012, SCPC declared cash dividend of ₱0.31 and ₱0.19 per share, respectively, to stockholders of record as of these dates to which the Parent Company received dividend income of ₱2.50 billion in 2013 and ₱1.50 billion in 2012.

SLPGC
On June 21, 2011, the BOD authorized to invest in a 2 X 150 MW coal-fired 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, 2012, the Parent Company subscribed ₱800.00 million from SLPGC's remaining authorized capital stock and ₱200.00 million has been paid for by the Parent Company. The Parent Company has paid the remaining ₱600.00 million of the subscribed shares in November 2013.

In 2013, the Parent Company invested for a capital stock subscription of SLPGC to the extent of 1,500.00 million shares of stock with a par value of ₱1.00 per share or with a total subscription of ₱1,500.00 million. The Parent Company has paid in full the subscribed shares in November and December 2013.

On February 22, 2012, the Parent Company and SLPGC executed a Deed of Assignment wherein the Parent Company desires to subscribe 84.81 million shares of stock of SLPGC at par value of ₱1.00 per share or total value of ₱84.81 million in exchange of land with an area of 82,740 square meters located at Nasugbu, Batangas. On August 8, 2013, the BOD approved the cancellation of the Deed of Assignment and subsequent sale of said property to SLPGC.

SEUI
On February 18, 2013, SEUI was incorporated to perform Qualified Third Party (QTP) functions pursuant to Section 59 of Republic Act 9136, otherwise known as the "Electric Power Industry Reform Act of 2001 ("EPIRA") and its Implementing Rules & Regulations", DOE-Circular No. 2004-06-006 of the Department of Energy defines QTP as an alternative service provider authorized to serve remote and unviable areas pursuant to Section 59 of the EPIRA Law. The new company intends to act as the QTP over Barangays of Semirara, Tinogboc and Alegria, all located at Semirara Island, Caluya, Antique.

SEUI has authorized capital stock of ₱12.50 million and is divided into 12.50 million shares with a par value of ₱1.00 per share, to which the Parent Company has subscribed and paid ₱3.13 million of said capital stock.

SBPGC
On September 9, 2013, SBPGC was incorporated to acquire, construct, erect, assemble, rehabilitate, expand, commission, operate and maintain power-generating plants and related facilities for the generation of electricity, including facilities to purchase, manufacture, develop or process fuel for the generation of such electricity, to sell electricity to any person or entity through electricity markets, by trading, or by contract, to administer, conserve and manage the electricity generated by power-generating plants, owned by SBPGC or by a third party, to invest in or acquire corporations or entities engaged in any of the foregoing activities.

SBPGC has authorized capital stock of ₱12.50 million and is divided into 12.50 million shares with a par value of ₱1.00 per share, to which the Parent Company has subscribed and paid ₱3.13 million of said capital stock.

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

SRPGC has authorized capital stock of ₱12.50 million and is divided into 12.50 million shares with a par value of ₱1.00 per share, to which the Parent Company has subscribed and paid ₱3.13 million of said capital stock.

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.

SCI
On November 29, 2012, SCI was incorporated to engage in, conduct, and carry on the business of manufacturing, buying, selling, distributing, marketing at wholesale and retail insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description including pottery earthenware, stoneware, bricks, tiles, roofs and other merchandise produce from clay; to enter into all contracts for export, import, purchase requisition, sale at wholesale or retail and other disposition for its own account as principal or in representative capacity as manufacturer's representative, merchandise broker, indentor, commission merchant, factors or agents, upon consignment of all goods, wares, merchandise or products natural or artificial.

SCI 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.

Except for SCPC, the Parent Company's subsidiaries have not yet started commercial operations as of December 31, 2013.

9. Property, Plant and Equipment

	2013					
	Mining Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	Mine Properties	Total
At Cost						
At January 1	₱14,924,845,644	₱1,681,957,793	₱365,683,504	₱956,528,338	₱–	₱17,929,015,279
Additions	1,074,354,970	–	–	672,767,023	133,188,944	1,880,310,937
Transfers	–	55,734,438	461,676,221	(517,410,659)	–	–
Disposals	(318,471,387)	–	–	–	–	(318,471,387)
At December 31	15,680,729,227	1,737,692,231	827,359,725	1,111,884,702	133,188,944	19,490,854,829
Accumulated Depreciation						
At January 1	12,731,244,963	1,521,264,672	291,043,871	–	–	14,543,553,506
Depreciation (Notes 20 and 21)	1,778,506,369	82,453,195	8,662,091	–	–	1,869,621,655
Disposals	(316,370,971)	–	–	–	–	(316,370,971)
At December 31	14,193,380,361	1,603,717,867	299,705,962	–	–	16,096,804,190
Net Book Value	₱1,487,348,866	₱133,974,364	₱527,653,763	₱1,111,884,702	₱133,188,944	₱3,394,050,639

	2012					
	Mining Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	Mine Properties	Total
At Cost						
At January 1	₱14,644,146,631	₱1,678,181,695	₱365,683,504	₱614,883,102	₱–	₱17,302,894,932
Additions	1,146,650,321	133,889	–	698,840,512	–	1,845,624,722
Transfers	353,553,067	3,642,209	–	(357,195,276)	–	–
Disposals	(1,219,504,375)	–	–	–	–	(1,219,504,375)
At December 31	14,924,845,644	1,681,957,793	365,683,504	956,528,338	–	17,929,015,279
Accumulated Depreciation						
At January 1	11,960,844,951	1,421,570,270	282,381,779	–	–	13,664,797,000
Depreciation (Notes 20 and 21)	1,989,904,387	99,694,402	8,662,092	–	–	2,098,260,881
Disposals	(1,219,504,375)	–	–	–	–	(1,219,504,375)
At December 31	12,731,244,963	1,521,264,672	291,043,871	–	–	14,543,553,506
Net Book Value	₱2,193,600,681	₱160,693,121	₱74,639,633	₱956,528,338	₱–	₱3,385,461,773

Equipment in transit and construction in progress accounts mostly pertain to purchased mining equipment that are in transit and various buildings and structures that are under construction as of December 31, 2013 and 2012.

Mine properties pertain to the expected decommissioning and site rehabilitation costs of Panian minesite and dismantling of mining machineries and conveyor belts at the end of its life.

In 2013 and 2012, the Parent Company sold various equipment at a gain amounting to ₱0.14 million and ₱127.49 million, respectively (see Note 24).

The cost of fully depreciated assets that are still in use amounted to ₱8.95 billion and ₱5.83 billion as of December 31, 2013 and 2012, respectively.

Depreciation and amortization included in the Parent Company's statements of comprehensive income and capitalized as cost of inventories follow:

	2013	2012
Included under:		
Inventories:	**₱180,227,557**	₱220,846,494
Cost of sales (Note 20):		
Depreciation and amortization	**1,509,285,132**	1,667,927,815
Hauling and shiploading costs	**155,722,140**	190,796,551
Operating expenses (Note 21)	**28,020,386**	23,097,279
	₱1,873,255,215	₱2,102,668,139

	2013	2012
Depreciation and amortization of:		
Property, plant and equipment	**₱1,869,621,655**	₱2,098,260,881
Software costs (Note 11)	**3,633,560**	4,407,258
	₱1,873,255,215	₱2,102,668,139

10. Exploration and Evaluation Asset

In 2013, the Parent Company incurred costs related to exploratory drilling and activities in Bobog minesite amounting to ₱348.15 million.

11. Other Noncurrent Assets

	2013	2012
Five percent (5%) input value-added tax (VAT) withheld - net of allowance for impairment losses of ₱25.98 million in 2013 and ₱87.53 million in 2012	**₱164,526,094**	₱102,976,730
Computer software - net	**3,680,929**	2,377,767
Environmental guarantee fund	**1,500,000**	1,500,000
Others	**8,522,344**	8,507,000
	₱178,229,367	₱115,361,497

5% input VAT withheld
As a result of the enactment of RA No. 9337 effective November 1, 2005, National Power Corporation (NPC) started withholding the required 5% input VAT on the VAT exempt coal sales. On March 7, 2007, the Parent Company obtained a ruling from the Bureau of Internal Revenue (BIR) which stated that the sale of coal remains exempt from VAT. In 2007, the Parent Company filed 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 initially on December 2005 sales amounting to ₱11.85 million. The Commissioner of BIR moved for reconsideration of the CTA's Decision. On November 21, 2009, the Parent Company filed its comment thereon. On August 10, 2010, the CTA issued a Writ of Execution on its decision date October 13, 2009 and was served to BIR on August 13, 2010.

In 2011, 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 Commissioner of BIR filed a motion for reconsideration which was denied in a Resolution executed by the CTA. The Commissioner of BIR filed for a Petition for Review with the CTA En Banc.

In 2012, CTA En Banc rendered a decision dismissing the petition for review for the lack of merit on ₱163.36 million refund.

In 2012, management has estimated that the refund will be recovered after ten (10) to fifteen (15) years. Consequently, the claim for tax refund was provided with provision for impairment losses amounting to ₱47.15 million (see Note 21).

On January 30, 2013, the Supreme Court denied the BIR Commissioner's Petition for Review. Subsequently, the latter filed a Motion for Reconsideration with the Supreme Court.
On June 19, 2013, the Supreme Court denied such petition of Motion for Consideration with finality. On September 18, 2013, Entry of Judgment was issued by the Supreme Court in GR No. 203621. On January 21, 2014, a "Notice of Resolution" was received from the Court of Tax Appeals citing that "It is appearing that the Resolution of the Supreme Court dated January 30, 2013 has already become final and executory and Entry of Judgment was already issued by the Supreme Court on September 19, 2013, herein the Parent Company is entitled as a matter of right to a writ of execution. It, therefore, becomes the ministerial duty of CTA to issue a writ of execution".

Because of the above developments, management reassessed the timeline of collection to be in 5 years (instead of 15 years). A re-estimation of the realizable value was made by the management using discounted cash flows with the assumption of collection in 5 years and discount rate of 2.91%. This resulted to a reversal of ₱61.55 million provision for impairment losses reflected as "Other income" in the Parent Company statements of comprehensive income (see Note 24).

Movements in allowance for impairment losses of the 5% input VAT withheld:

	2013	2012
At January 1	**₱87,525,072**	₱40,374,355
Provision (Note 21)	**–**	47,150,717
Reversal (Note 24)	**(61,549,364)**	–
At December 31	**₱25,975,708**	₱87,525,072

Computer software - net
Movements in the computer software account follow:

	2013	2012
At Cost		
At January 1	**₱24,847,737**	₱23,795,671
Additions	**4,936,722**	1,052,066
At December 31	**29,784,459**	24,847,737
Accumulated Amortization		
At January 1	**22,469,970**	18,062,712
Amortization (Note 9)	**3,633,560**	4,407,258
At December 31	**26,103,530**	22,469,970
Net Book Value	**₱3,680,929**	₱2,377,767

Environmental guarantee fund
Environmental guarantee fund represents the funds designated to cover all costs attendant to the operation of the Multi-partite Monitoring Team of the Parent Company's environmental unit.

Others
Others include various types of deposits which are recoverable over more than one year.

12. Trade and Other Payables

	2013	2012
Trade:		
Payable to suppliers and contractors	**₱2,660,927,471**	₱3,243,553,424
Related parties (Note 18)	**597,043,568**	474,455,526
Payable to Department of Energy (DOE) and local government units (LGU) (Note 26)	**877,947,530**	1,007,849,325
Accrued expenses and other payables	**187,808,286**	89,592,253
	₱4,323,726,855	₱4,815,450,528

Trade payables to suppliers and contractors
Trade payable to contractors arises from progress billings of completed work. Trade payables to suppliers and contractors include liabilities amounting to ₱968.56 million (US$21.82 million) and ₱301.95 million (US$7.36 million) as of December 31, 2013 and 2012, respectively, to various foreign suppliers for open account purchases of equipment and equipment parts and supplies.

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

Payable to DOE and LGU
Payable to DOE and LGU represent the share of DOE and LGU in the gross revenue of the Parent Company's coal production computed in accordance with the Coal Operating Contract (COC) between the Parent Company, DOE and LGU dated July 11, 1977 and as amended on January 16, 1981 (see Note 26).

Accrued expenses and other payables
Details of the accrued expenses and other payables account follow:

	2013	2012
Shipping cost	**₱89,536,340**	₱–
Withholding and other taxes	**49,486,162**	36,658,043
Salaries and wages	**18,483,313**	9,522,318
Rental	**14,188,245**	14,564,799
Interest	**5,572,573**	7,051,185
Professional fees	**1,552,320**	7,355,200
Real property tax	–	12,745,030
Others	**8,989,333**	1,695,678
	₱187,808,286	₱89,592,253

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

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

13. Short-term Loans

Short-term loans represent various unsecured promissory notes from local banks with interest rates ranging from 1.17% to 3.00% and 1.04% to 1.18% in 2013 and 2012, respectively.

The carrying amount of these short-term loans as of December 31, 2013 and 2012 amounted to ₱1.66 billion and ₱0.14 billion, respectively.

The interest expense on these short-term loans recognized under "Finance Cost" amounted to ₱71.05 million and ₱30.14 million in 2013 and 2012, respectively (see Note 22).

14. Long-term Debt

	2013	2012
Bank loans	**₱4,790,697,568**	₱4,775,083,552
Less current portion of bank loans	**631,518,875**	3,668,712,959
	₱4,159,178,693	₱1,106,370,593

Local bank loans
Details of the bank loans follow (see Note 28):

Loan Type	Date of Availment	Outstanding Balance 2013	2012	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		(In Millions)					
Dollar loan 1	Various availments in 2010, 2011 and 2013	₱341.68	₱947.54	Various maturities in 2012, 2013 and 2015	Floating rate payable quarterly and in arrears, to be repriced every 90 days	Interest payable quarterly and in arrears, subject to quarterly setting and principal repayable in bullet at the end of three (3) years from drawdown date	Proceeds of the loans were restricted for the purchase of mining equipment; Unsecured loan
Dollar loan 2	July 2011	–	230.40	July 2013	Floating rate, 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 loan
Dollar loan 3	Various availments in 2010, 2011 and 2013	2,743.31	2,556.86	Various maturities in 2012, 2013 2014 and 2016	Floating rate to be repriced every 90 days	Interest payable in 90 days; not deducted from proceeds of loans and principal repayable in maturity	Proceeds of the loan will be used to finance capital expenditures and general corporate purposes Financial Covenants: Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1; compliant
Dollar loan 4	Various availments in 2011 and 2013	1,553.83	1,040.28	Various maturities in 2013, 2014, 2015 and 2016	Floating rate, aggregate of the margin (1.20%) and LIBOR, to be repriced every 90 to 180 days	Interest payable in arrears for the relevant interest period and principal repayable in semi-annual installments commencing on the 12th month after the date of the Agreement until date of final maturity	Proceeds of the loan were restricted for capital expenditure requirements and refinancing of existing debts Financial Covenants: Current Ratio not less than 1:1, Debt-Equity Ratio not exceeding 2:1, Debt-EBITDA Ratio not exceeding 3:1, compliant
Dollar loan 5	October 2013	151.88	–	September 24, 2015	Floating rate	Interest and principal are payable on the date of maturity	Unsecured loans Current Ratio at least 1.0x; Debt-Equity Ratio at least 2.0x; compliant
		₱4,790.70	₱4,775.08				

Interest expenses on long-term debt recognized under "Finance Cost" amounted to ₱81.58 million and ₱83.67 million in 2013 and 2012, respectively (see Note 22).

As of December 31, 2013, there is no more available borrowing facility that can be drawn.

The maturities of long-term debt at nominal values as of December 31, 2013 follow:

	2013	2012
	(In Thousands)	
Due in:		
2013	**₱–**	₱3,668,713
2014	**631,519**	1,106,370
2015	**1,418,553**	–
2016	**2,740,626**	–
	₱4,790,698	₱4,775,083

15. Provision for Decommissioning and Site Rehabilitation

	2013	2012
At January 1	**₱52,696,210**	₱43,894,479
Additions (Note 10)	**133,188,944**	–
Accretion of interest (Note 22)	**–**	8,801,731
At December 31	**₱185,885,154**	₱52,696,210

Discount rates used by the Parent Company to compute for the present value of liability for decommissioning and site rehabilitation cost are from 5.79% to 8.77% in 2012 to 3.63% to 4.63% in 2013.

Additions pertain to the effects of changes in estimates as to the extent and costs of rehabilitation activities, cost increases and changes in discount rates based on relative prevailing market rates.

16. Capital Stock

The details of the Parent Company's capital stock as of December 31, 2013 and 2012 are as follow:

	Shares	Amount
Capital 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, 2013, the Parent Company has 356.25 million common shares issued and outstanding which were owned by 663 shareholders.

Capital Stock
The Parent Company's track record of capital stock is as follows:

	Number of shares registered	Issue/offer price	Date of approval	Number of holders as of year - end
At January 1, 2001	1,630,970,000	₱1/share		
Add (deduct):				
Additional issuance	19,657,388	1/share	July 2, 2004	
Conversion of preferred shares to common shares	225,532	1/share	July 2, 2004	
Decrease in issued and outstanding common share from capital restructuring	(1,625,852,920)			
Share dividends	225,000,000	1/share	July 2, 2004	
Public offering additional issuance	46,875,000	36/share	February 4, 2005	
December 31, 2010	296,875,000			632
Add: Share rights offering	59,375,000	74/share	June 10, 2010	7
December 31, 2011	356,250,000			639
Add: Movement	–			24
December 31, 2012	356,250,000			663
Add: Movement	–			–
December 31, 2013	356,250,000			663

Share Rights Offering
On June 10, 2010, the Parent Company offered for subscription 59.38 million 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 share rights offering amounted to about ₱4.39 billion. The amount representing excess of offer price over the par value of the share offering amounting to about ₱4.33 billion was credited to additional paid-in capital for the year ended December 31, 2010.

17. Retained Earnings

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2013 amounted to ₱5.10 billion.

Cash Dividends
On April 30, 2013, the BOD authorized the Parent Company to declare and distribute cash dividends of ₱12.00 per share or ₱4.28 billion to stockholders of record as of May 17, 2013. The said cash dividends were paid on May 29, 2013.

On April 30, 2012, the BOD authorized the Parent Company to declare and distribute cash dividends of ₱12.00 per share or ₱4.28 billion to stockholders of record as of May 29, 2012. The said cash dividends were paid on June 25, 2012.

Appropriations

On August 8, 2013, the BOD approved the appropriation of ₱1.60 billion from the unappropriated retained earnings as of December 31, 2012, as additional capital expenditure and investment in power expansion projects of the Parent Company. This appropriation is intended for the ongoing construction of 2 X 150 MW circulating fluidized bed power plant in Calaca, Batangas owned by SLPGC (a wholly subsidiary of the Parent Company). The project is expected to be completed in the first quarter of 2015.

On March 12, 2013, the BOD ratified the remaining ₱700.00 million appropriation to partially cover new capital expenditures for the Parent Company's mine operation for the years 2013 to 2015.

18. Related Party Transactions

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

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

The significant transactions with related parties follow:

	2013			
	Amount/ Volume	Receivable (Payable)	Terms	Conditions
Trade receivables - related parties (see Note 5)				
Subsidiaries				
a.) Coal sales	₱4,103,852,504	₱256,855,024	30 days, non-interest bearing	Unsecured, no impairment
Transfer of materials and reimbursement of shared expenses	905,650,000	841,439,198	non-interest bearing, due and demandable	Unsecured, no impairment
b.) Transfer of materials and reimbursement of pre-operating related costs	38,067,653	38,067,653	non-interest bearing, due and demandable	Unsecured, no impairment
c.) Reimbursements of expenses	1,260,000	1,372,239	non-interest bearing, due and demandable	Unsecured, no impairment
d.) Reimbursements of pre-operating expenses	317,455	317,445	non-interest bearing, due and demandable	Unsecured, no impairment
Entities under common control				
e.) Transfer of materials and reimbursement of shared expenses	2,218,766	66,138,357	non-interest bearing, due and demandable	Unsecured, no impairment
f.) Reimbursements of shared expenses	30,000	8,717,043	non-interest bearing, due and demandable	Unsecured, no impairment
g.) Reimbursements of expenses	698,212	698,212	non-interest bearing, due and demandable	Unsecured, no impairment
	₱5,052,094,590	₱1,213,605,171		
Trade payables - suppliers and contractors (see Note 12)				
Subsidiary				
a.) Customers' deposit	₱651,891,000	(₱30,370,185)	30 days, non-interest bearing	Unsecured
Trade payables - related parties (see Note 12)				
Entities under common control				
h.) Construction and other outside services	₱337,990,616	(₱570,694,278)	30 days, non-interest bearing	Unsecured
i.) Mine exploration and hauling services	554,092,099	(20,138,858)	30 days, non-interest bearing	Unsecured

(Forward)

	2013			
	Amount/ Volume	**Receivable (Payable)**	**Terms**	**Conditions**
j.) Purchases of office supplies and refreshments	**₱5,659,359**	**(₱2,726,026)**	**30 days, non-interest bearing**	**Unsecured**
k.) Office, parking and warehouse rental expenses	**7,380,000**	**(1,944,397)**	**30 days, non-interest bearing**	**Unsecured**
l.) Aviation services	**6,890,000**	**(1,540,009)**	**30 days, non-interest bearing**	**Unsecured**
	₱912,012,074	**(₱597,043,568)**		
Investments in subsidiaries				
m.) Additional investment	**₱2,015,202,400**	**₱–**	**non-interest bearing, due and demandable**	**Unsecured**
n.) Sale of real property	**84,808,500**	**–**	**non-interest bearing, due and demandable**	**Unsecured**
	₱2,100,010,900	**₱–**		

	2012			
	Amount/ Volume	Receivable (Payable)	Terms	Conditions
Trade receivables - related parties(see Note5)				
Subsidiaries				
a.) Coal sales	₱3,176,474,681	₱316,357,419	30 days, non-interest bearing	Unsecured, no impairment
Transfer of materials and reimbursement of shared expenses	374,329	438,133,442	non-interest bearing, due and demandable	Unsecured, no impairment
c.) Reimbursements of expenses	108,804	108,804	non-interest bearing, due and demandable	Unsecured, no impairment
Entities under common control				
e.) Transfer of materials and reimbursement of shared expenses	8,130,000	63,987,490	non-interest bearing, due and demandable	Unsecured, no impairment
f.) Reimbursements of shared expenses	190,000	8,763,493	non-interest bearing, due and demandable	Unsecured, no impairment
g.) Reimbursements of expenses	–	–	non-interest bearing, due and demandable	Unsecured, no impairment
	₱3,185,277,814	₱827,350,648		
Trade payables - suppliers and contractors (see Note 12)				
Subsidiary				
a.) Customers' deposit	₱4,226,840,000	(₱62,773,346)	30 days, non-interest bearing	Unsecured
Trade payables - related parties (see Note 12)				
Entities under common control				
h.) Construction and other outside services	₱552,898,000	(₱417,984,155)	30 days, non-interest bearing	Unsecured
i.) Mine exploration and hauling services	361,132,979	(41,205,122)	30 days, non-interest bearing	Unsecured
j.) Purchases of office supplies and refreshments	3,268,946	(13,036,733)	30 days, non-interest bearing	Unsecured
k.) Office, parking and warehouse rental expenses	7,510,000	(1,778,402)	30 days, non-interest bearing	Unsecured
l.) Aviation services	2,630,000	(451,114)	30 days, non-interest bearing	Unsecured
	₱927,439,925	(₱474,455,526)		
Investment in subsidiaries				
m.) Additional investments	₱2,456,634,945	₱–	non-interest bearing, due and demandable	Unsecured
	₱2,456,634,945	₱–		

a. The Parent Company has entered into purchase commitment with SCPC for the supply of coal. The contract agreement provides that the Parent Company shall supply to SCPC and SCPC shall purchase from the Parent Company minimum volume of 1,100,000 metric tons +/- 10% up to the maximum quantity of 2,400,000 MT of coal. The contract ended on June 30, 2011. On December 22, 2011, the Company renewed the said agreement that shall take effect from July 1, 2011 until December 31, 2021. Further, both parties agreed on the amendment of Semirara Coal Specification, Pricing, and Price Adjustments. The coal sales and other related party expenses incurred and receivable from SCPC are both included in

receivables under "Trade receivables - related parties" in the Parent Company's statements of financial position (see Note 5).

Customers' deposit is lodged in trade and other payables under "Trade payables - suppliers and contractors" in the Parent Company's statements of financial position (see Note 12).

The Parent Company has receivables from SCPC in relation to transfer of materials and shared expenses which are lodged in "Trade receivables - related parties" in the Parent Company's statements of financial position (see Note 5).

b. Due from SCI is composed of materials issuances, contracted services, licenses and permit fees and other operating expenses initially paid by the Parent Company. The aggregate amount is included in receivables under "Trade receivables - related parties" in the Parent Company's statements of financial position (see Note 5).

c. Due from SLPGC and SIPDI pertains to various expenses incurred which are initially paid by the Parent Company. The amount is included in receivables under "Trade receivables - related parties" in the Parent Company's statements of financial position (see Note 5).

   On February 4, 2012, SLPGC entered into a ₱11.50 billion 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. Due from SBPGC, SRPGC and SEUI pertains to business permit fees, notarial fees and documentary stamp taxes incurred which are initially paid by the Parent Company. The amount is included in receivables under "Trade receivables - related parties" in the Parent Company's statements of financial position (see Note 5).

e. Due from DMCI Power Corporation (DMCI-PC) pertains to materials issuances, contracted services and various services provided by the Parent Company. All outstanding balances from DMCI-PC are included in receivables under "Trade receivables - related parties" in the Parent Company's statements of financial position (see Note 5).

f. Due from DMCI Mining Corporation (DMCI-MC) pertains to the contracted services incurred by DMCI-MC, which are initially paid by the Parent Company. All outstanding balances from DMCI-MC are included in receivables under "Trade receivables - related parties" in the Parent Company's statements of financial position (see Note 5).

g. Due from DMCI Masbate Power Corporation (DMCI-MPC) pertains to the security contracted services incurred which are initially paid by the Parent Company. The outstanding balance from DMCI-MPC is included in receivables under "Trade receivables - related parties" in the Parent Company's statements of financial position (see Note 5).

h. Dacon Corporation, a shareholder of DMCI-HI, provided maintenance of the Parent Company's accounting system, Navision, to which related expenses are included in operating expenses under "Office expenses" in the Parent Company's statements of comprehensive income (see Note 21).

   All outstanding balances to Dacon Corporation are included in Trade and Other Payables under "Trade payables - related parties" in the Parent Company's statements of financial position (see Note 12).

D.M. Consunji, Inc. (DMCI) had transactions with the Parent Company representing rentals of office, building and equipments and other transactions such as transfer of equipment, hauling and retrofitting services. The related expenses are included in cost of sales under "Outside services" in the Parent Company's statements of comprehensive income (see Note 20).

The Parent Company engaged the services of DMCI for the construction of its 1 x 15 MW Power Plant located at Semirara Island to which the related cost are capitalized as part of property, plant and equipment in the Parent Company's statements of financial position. The Parent Company also engaged the service of DMCI for the construction of various projects in compliance with its Corporate Social Responsibility (CSR) such as the mine rehabilitation, construction of covered tennis courts, track and field, perimeter fence and others to which related expenses are included in cost of sales "Outside services" in the Parent Company's statements of comprehensive income (see Note 20). All outstanding balances to DMCI are lodged in trade and other payables under "Trade payables - related parties" in the Parent Company's statements of financial position (see Note 12).

The Parent Company also engaged the service of DMCI for the construction of various projects in compliance with its Corporate Social Responsibility (CSR) such as the mine rehabilitation, construction of covered tennis courts, track and field, perimeter fence and others to which related expenses are included in cost of sales "Outside services" account in the Parent Company's statements of comprehensive income (see Note 20).

All outstanding balances to DMCI are lodged in trade and other payables under "Trade payables - related parties" in the Parent Company's statements of financial position (see Note 12).

DMCI-PDI provides realty projects to the Parent Company. The outstanding balance is lodged in trade and other payables under "Trade payable to related parties" in the Parent Company's statements of financial position (see Note 12).

i. DMC-Construction Equipment Resources, Inc. (DMC-CERI) had transactions with the Parent Company for services rendered relating to the Parent Company's coal operations. These include services for the confirmatory drilling for coal reserve and evaluation of identified potential areas, exploratory drilling of other minerals within Semirara Island, dewatering well drilling along cut-off wall of Panian mine and fresh water well drilling for industrial and domestic supply under an agreement. Expenses incurred for said services are included in cost of sales under "Outside services" in the Parent Company's 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 on cases where Parent Company's fleet is not enough. The coal freight billing is on a per metric ton basis plus demurrage charges for delays in loading and unloading of coal cargoes. Expenses incurred for these services are included in cost of sales under "Hauling and shiploading costs" in the Parent Company's statements of comprehensive income (see Note 20).

   Furthermore, DMC-CERI provides to the Parent Company labor services relating to coal operations including those services rendered by consultants. Expenses incurred for said services are included in cost of sales under "Direct labor" in the Parent Company's statements of comprehensive income (see Note 20).

Labor costs related to manpower services rendered by DMC-CERI represent actual salaries and wages covered by the period when the services were rendered to Parent Company in its coal operations. Under existing arrangements, payments of said salaries and wages are given directly to personnel concerned.

All outstanding balances to DMC-CERI are included in trade and other payables under "Trade payables - related parties" in the Parent Company's statements of financial position (see Note 12).

j. Prominent Fruits, Inc. supplies various office supplies and refreshments to the Parent Company. The outstanding balances to Prominent Fruits, Inc. are lodged in trade and other payables under "Trade payables - related parties" in the Parent Company's statements of financial position (see Note 12).

   M&S Company, Inc. (M&S) supplies various supplies and materials to the Parent Company. Outstanding balance is included in trade and other payables under "Trade payables - related parties" in the Parent Company's statements of financial position (see Note 12).

k. Asia Industries Inc. had transactions with the Parent Company for the rental of parking space to which related expenses are included in operating expenses under "Office expenses" in the Parent Company's statements of comprehensive income (see Note 21). The outstanding balance to Asia Industries, Inc. is lodged in trade and other payables under "Trade payables - related parties" in the Parent Company's statements of financial position (see Note 12).

   DMC Urban Property Developers, Inc. (DMC-UPDI) had transactions with the Parent Company representing long-term lease on office space and other transactions rendered to the Parent Company necessary for the coal operations. Office rental expenses are included in cost of sales under "Outside services" in the Parent Company's statements of comprehensive income (see Note 20). The outstanding balance to DMC-UPDI is lodged in trade and other payables under "Trade payables - related parties" in the Parent Company's statements of financial position (see Note 12).

l. Royal Star Aviation Inc. transports the Parent Company's visitors and employees from Manila to Semirara Island and vice versa and bills them for the utilization costs of the aircrafts. The related expenses are included in cost of sales under "Production overhead" in the Parent Company's statements of comprehensive income (see Note 20). The outstanding balance to Royal Star Aviation, Inc. is lodged in trade and other payables under "Trade payables - related parties" in the Parent Company's statements of financial position (see Note 12).

m. In 2013 and 2012, the Parent Company made additional investments to its subsidiaries (see Note 8).

n. On February 22, 2012, the Parent Company and SLPGC executed a Deed of Assignment wherein the Parent Company desires to subscribe 84.81 million shares of stock of SLPGC at par value of ₱1.00 per share or total value of ₱84.81 million in exchange of land with an area of 82,740 square meters located at Nasugbu, Batangas. On August 8, 2013, the BOD approved the cancellation of the Deed of Assignment and sale of said property to SLPGC.

Terms and conditions of transactions with related parties
There have been no guarantees or collaterals provided or received for any related party receivables or payables. These accounts are non-interest bearing and are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. As of December 31, 2013 and 2012, there were no impairment losses recognized on related party balances.

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

	2013	2012
Short-term employee benefits	**₱127,093,393**	₱108,719,349
Post employee benefits	**4,018,829**	3,434,897
	₱131,112,222	₱112,154,246

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, 2013. Provisions for pension liabilities are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Parent Company updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary.

The Parent Company accrues retirement costs (included in "Pension Liabilities" in the Parent Company's statements of financial position) based on an actuarially determined amount using the projected unit credit method.

The funds are administered by a trustee bank under the supervision of the Board of Directors of the plan. The Board of Directors is responsible for the investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of the significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plan's objectives, benefit liability and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The Board of Directors delegates the implementation of the investment policy in accordance with the investment strategy as well as various principles and objectives to an Investment Committee, which also consists of members of the Board of Directors, Vice-President for Treasury and Chief Finance Officer. The Vice-President for Treasury and Chief Finance Officer oversee the entire investment process.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension liabilities for the defined benefit plan are shown below:

	2013	2012	2011
Discount rate	**5.07%**	4.69%	6.75%
Salary increase rate	**3.00%**	3.00%	3.00%

The following table summarizes the components of pension expense in the Parent Company's statements of comprehensive income:

	2013	2012 (As restated)	2011 (As restated)
Current service cost	**₱9,625,087**	₱7,778,179	₱5,597,830
Interest expense related to the defined benefit liability	**4,722,795**	4,371,758	4,405,686
Interest income related to plan assets	**(3,008,719)**	(3,863,820)	(3,473,150)
	₱11,339,163	₱8,286,117	₱6,530,366

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

The following tables provide analyses of the movement in the net asset (liability) recognized on Parent Company's statements of financial position:

	December 31, 2013	December 31, 2012 (As restated)	January 1, 2012 (As restated)
Defined benefit liability at beginning of year	**₱100,699,245**	₱64,766,789	₱54,391,181
Current service cost	**9,625,087**	7,778,179	5,597,830
Interest expense	**4,722,795**	4,371,758	4,405,686
Remeasurement of defined benefit liability:			
Arising from changes in demographic assumptions	**–**	–	–
Arising from changes in financial assumptions	**(1,389,451)**	3,592,053	2,711,835
Experience gains (losses)	**(12,532,526)**	23,625,363	(2,339,743)
Benefit payments	**(6,631,312)**	(3,434,897)	–
Defined benefit liability at end of year	**₱94,493,838**	₱100,699,245	₱64,766,789
Fair value of plan assets at beginning of year	**₱64,151,770**	₱57,994,669	₱28,646,138
Return on plan assets (excluding amounts included in interest income)	**5,230,282**	3,799,071	(2,589,145)
Interest income	**3,008,719**	3,863,820	3,473,150
Employer contributions	**–**	–	28,464,526
Benefit payments	**–**	(1,505,790)	–
Fair value of plan assets at end of year	**₱72,390,771**	₱64,151,770	₱57,994,669

	December 31, 2013	December 31, 2012 (As restated)	January 1, 2012 (As restated)
Net defined liability at beginning of year	**₱36,547,475**	₱6,772,120	₱25,745,043
Net periodic pension cost	**11,339,163**	8,286,117	6,530,366
Amounts recognized in other comprehensive income	**(19,152,259)**	23,418,326	2,961,237
Employer contributions	**–**	–	(28,464,526)
Benefit payments	**(6,631,312)**	(1,929,088)	–
Net defined liability at end of year	**₱22,103,067**	₱36,547,475	₱6,772,120

The Parent Company does not expect any contribution into the pension fund in 2014.

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

	December 31, 2013	December 31, 2012 (As restated)	January 1, 2012 (As restated)
Cash and cash equivalents	**₱8,067,400**	₱880,530	₱1,297,706
Equity instruments			
Financial institutions	**–**	1,552,500	1,575,000
Debt instruments			
Government securities	**56,597,922**	52,542,707	46,218,086
Not rated debt securities	**6,664,858**	8,106,243	7,882,707
Interest receivable	**1,060,591**	1,069,790	1,021,170
Fair value of plan assets	**₱72,390,771**	₱64,151,770	₱57,994,669

Trust fee in 2013 and 2012 amounted to ₱35,878 and ₱32,220, respectively.

The composition of the fair value of the Fund includes:

Investment in debt securities - government securities - include investment in Philippine Retail Treasury Bonds and Fixed Rate Treasury Notes

Investments in debt securities - not rated - include investment in long-term debt notes and retail bonds

Cash and cash equivalents - include savings and time deposit with affiliated bank and special deposit account with Bangko Sentral ng Pilipinas

Investment in equity securities - includes investment in common and preferred shares traded in the Philippine Stock Exchange

Interest receivables - pertain to interest and dividends receivable on the investments in the fund

The management performs a study of how to match its existing assets versus the pension liabilities to be settled. The overall investment policy and strategy of the Parent Company's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plan. The Parent Company's current strategic investment strategy consists of 88% of debt instruments, 11% cash and 1% others.

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

	Increase (decrease)	Net defined benefit liability
Discount rates	+1%	(₱3,403,863)
	-1%	3,780,201
Future salary increases	+1%	3,297,841
	-1%	(3,037,658)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2013	2012
Less than 1 year	**₱26,914,286**	₱3,434,897
More than 1 year to 5 years	**19,898,958**	43,940,115
More than 5 years to 10 years	**62,951,470**	65,824,599
	₱109,764,714	₱113,199,611

The Parent Company has no other transactions with the fund.

20. Cost of Sales

Cost of coal sales consists of:

	2013	2012
Materials and supplies	**₱4,096,280,027**	₱3,916,171,654
Fuel and lubricants	**3,322,349,656**	3,819,038,822
Depreciation and amortization (Notes 9 and 11)	**1,509,285,132**	1,667,927,815
Outside services (Note 18)	**1,001,789,433**	1,212,822,300
Direct labor (Note 18)	**680,117,940**	564,867,803
Production overhead (Note 18)	**504,857,041**	469,824,212
Cost of coal	**11,114,679,229**	11,650,652,606
Hauling and shiploading costs (Note 18)	**617,887,364**	678,811,366
	₱11,732,566,593	₱12,329,463,972

21. Operating Expenses

	2013	2012 (As restated)
Government share (Note 26)	**₱1,304,961,185**	₱1,557,950,322
Personnel costs	**154,240,164**	178,723,612
Professional fees	**58,556,801**	66,163,589
Office expenses (Note 18)	**57,871,886**	90,100,692
Taxes and licenses	**48,055,560**	6,177,019
Provision for doubtful accounts (Note 5)	**29,743,263**	–

(Forward)

	2013	2012 (As restated)
Depreciation (Note 9)	**₱28,020,386**	₱23,097,279
Transportation and travel	**19,523,784**	16,381,957
Entertainment, amusement and recreation	**11,807,992**	14,660,918
Loss on disposal of property, plant and equipment	**2,100,416**	–
Provision for impairment losses (Note 11)	–	47,150,717
	₱1,714,881,437	₱2,000,406,105

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

22. Finance Costs

	2013	2012
Interest on:		
Long-term debt (Note 14)	**₱81,581,761**	₱83,670,023
Short-term loans (Note 13)	**71,046,043**	30,135,631
Accretion of cost of decommissioning and site rehabilitation (Note 15)	–	8,801,731
	₱152,627,804	₱122,607,385

23. Finance Income

	2013	2012
Interest on (Note 4):		
Cash in banks	**₱1,491,750**	₱4,327,782
Cash equivalents	**397,481**	8,787,322
	₱1,889,231	₱13,115,104

24. Other Income

	2013	2012
Reversal of allowance for impairment losses (Note 11)	**₱61,549,364**	₱–
Recoveries from insurance claims	**10,632,170**	41,545,868
Gain on sale of equipment (Note 9)	**135,073**	127,491,090
Reversal of allowance for doubtful accounts (Note 5)	–	9,552,129
Miscellaneous	**5,586,167**	8,595,524
	₱77,902,774	₱187,184,611

Recoveries from insurance claims
Recoveries from insurance claims pertain to the amount reimbursable from insurer on insured equipment.

Miscellaneous
Miscellaneous income is derived from selling excess electricity produced by the Parent Company to the neighboring communities.

25. Income Tax

The provision for income tax consists of:

	2013	2012 (As restated)
Final	**₱265,043**	₱1,851,949
Deferred	**(131,717,381)**	(411,999)
	(₱131,452,338)	₱1,439,950

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's statements of comprehensive income follows:

	2013	2012 (As restated)
Statutory income tax rate	**30.00%**	30.00%
Adjustments for:		
Changes in unrecognized deferred tax liabilities	**0.37**	(1.08)
Nondeductible expense	**0.10**	0.06
Tax-exempt income	**(33.00)**	(28.91)
Interest income subjected to final tax at a lower rate - net of nondeductible interest expense	**(0.00)**	(0.04)
Effective income tax rate	**(2.53%)**	0.03%

The Parent Company has the following net deferred tax assets as of December 31, 2013 and 2012:

	2013	2012 (As restated)
Unrealized foreign exchange loss	**₱91,779,812**	₱–
Allowance for inventory obsolescence	**17,222,137**	–
Allowance for doubtful accounts	**10,667,589**	–
Allowance for impairment losses	**7,792,467**	–
Pension expense	**7,719,803**	9,210,105
	₱135,181,808	₱9,210,105

The Parent Company has not recognized deferred tax assets on net operating loss carry over (NOLCO) from the following periods:

Year Incurred	Amount	Expiry Year
2013	₱3,440,456,777	2016
2012	3,143,525,120	2015
2011	2,346,773,074	2014
	₱8,930,754,971	

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. The Parent Company's ITH of 6 years is expected to lapse in September 2014. The Parent Company has a pending application with BOI for another extension, the period of which is still to be determined.

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 ₱1.48 billion and ₱1.47 billion in 2013 and 2012, respectively.

26. Coal Operating Contract with DOE

On July 11, 1977, the Government, through its former Energy Development Board, awarded a 35-year COC to a consortium led by Vulcan Industrial & Mineral Exploration Corporation and Sulu Sea Oil Development Corporation that subsequently assigned said COC to the Parent Company on April 7, 1980. On July 27, 1977, Presidential Decree (PD) 972 was amended by PD 1174 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.

On April 29, 2013, the DOE issued a new COC to the Parent Company, which grants the Parent Company the exclusive right to conduct exploration, development and coal mining operations in the municipality of Bulalacao, province of Oriental Mindoro, up to a maximum of 36 years from its effective date. The COC covers two coal-bearing parcels of land covering areas of 2,000 and 5,000 hectares, respectively.

On June 7, 2013, the DOE issued a new COC to the Parent Company, which grants the Parent Company the exclusive right to conduct exploration, development and coal mining operations in the municipalities of Maitum and Kiamba, province of Sarangani, up to a maximum of 36 years from its effective date. The COC covers a coal-bearing parcel of land covering area of 5,000 hectares.

In return for the mining rights granted to the Parent Company, the Government is entitled to receive annual royalty payments consisting of the balance of the gross income after deducting operating expenses, operator's fee and special allowance. The Parent Company's provision for DOE's share under this contract and to the different LGU in the Province of Antique, under the provisions of the Local Government Code of 1991, amounted to ₱1.30 billion and ₱1.56 billion for the years ended December 31, 2013 and 2012, respectively, included under "Operating expenses" in the Parent Company statements of comprehensive income (see Note 21). The liabilities, amounting to ₱0.88 billion and ₱1.01 billion are included under the "Trade and other payables" account in the Parent Company's 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, receivables and environmental guarantee fund, which arise directly from operations.

The Parent Company's financial liabilities comprise trade and other payables, short-term loans, and long-term debt. The main purpose of these financial liabilities is to raise finance for the 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 loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant Parent Company's 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, 2013 and 2012.

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.

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 (as a percentage of total coal sales volume):

	2013	2012
Domestic market	**55.43%**	55.83%
Export market	**44.57%**	44.17%

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, 2013 and 2012 with all other variables held constant. The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on 1-year historical price movements in 2013 and 2012.

	Effect on income before income tax	
Change in coal price	**2013**	2012
Based on ending coal inventory		
Increase by 42% in 2013 and 30% in 2012	**₱1,022,494,329**	₱1,053,008,837
Decrease by 42% in 2013 and 30% in 2012	**(1,022,494,329)**	(1,053,008,837)
Based on coal sales volume		
Increase by 42% in 2013 and 30% in 2012	**5,643,685,176**	4,335,046,600
Decrease by 42% in 2013 and 30% in 2012	**(5,643,685,176)**	(4,335,046,600)

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 debts 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 long-term debts with floating interest rates are presented by maturity profile.

2013							
	Interest	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Carrying Value
				(In Thousands)			
Cash and cash equivalents	**1.40% to 1.50%**	**₱1,703,561**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,703,561**
Foreign long-term debt at floating rate							
$7.70 million loan (USD)	**Floating rate payable quarterly and in arrears, to be repriced every 90 days**	**₱–**	**₱341,683**	**₱–**	**₱–**	**₱–**	**₱341,683**
$61.79 million loan (USD)	**Floating rate to be repriced every 90 days**	**529,410**	**716,336**	**1,497,566**	**–**	**–**	**2,743,312**
$35.00 million loan (USD)	**Floating rate, aggregate of the margin (1.20%) and LIBOR, to be repriced every 90 to 180 days**	**102,109**	**208,657**	**1,243,060**	**–**	**–**	**1,553,826**
$3.42 million loan (USD)	**Floating rate**	**–**	**151,878**	**–**	**–**	**–**	**151,878**
		₱631,519	**₱1,418,554**	**₱2,740,626**	**₱–**	**₱–**	**₱4,790,699**

2012							
	Interest	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Carrying Value
				(In Thousands)			
Cash and cash equivalents	1.25% to 4.50%	₱396,378	₱–	₱–	₱–	₱–	₱396,378
Foreign long-term debt at floating rate							
$23.08 million loan (USD)	1.32-1.95% p.a. payable semi-annually, to be repriced every 3 months	₱631,604	₱315,938	₱–	₱–	₱–	₱947,542
$5.62 million loan (USD)	1.80% p.a. for 92 days, to be repriced every 30 to 180 days	–	230,404	–	–	–	230,404
$62.29 million loan (USD)	1.16-1.61% p.a., to be repriced every 3 months	1,996,833	560,028	–	–	–	2,556,861
$25.34 million loan (USD)	1.03%-1.10% payable in 3-4 months, principal to be paid at maturity	1,040,276	–	–	–	–	1,040,276
		₱3,668,713	₱1,106,370	₱–	₱–	₱–	₱4,775,083

The following table demonstrates the sensitivity of the Parent Company's income before tax to a reasonably possible change in interest rates on December 31, 2013 and 2012, with all variables held constant, through the impact on floating rate borrowings.

	Effect on Income Before Tax	
Basis points (in thousands)	**2013**	2012
+100	**(₱47,907)**	(₱47,751)
-100	**47,907**	47,751

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 bank loans.

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

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The 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.

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, 2013 and 2012 based on undiscounted contractual payments.

	2013					
	Less than 6 months	6-12 months	1-2 years	2-3 years	More than 3 years	Total
Assets:						
Cash in bank and cash equivalents	₱1,703,561,415	₱–	₱–	₱–	₱–	₱1,703,561,415
Receivables:						
Trade:						
Outside parties	1,041,576,807	–	–	–	–	1,041,576,807
Related parties	1,213,605,171	–	–	–	–	1,213,605,171
Others*	12,486,281	–	–	–	–	12,486,281
Environmental guarantee fund	–	–	–	–	1,500,000	1,500,000
	3,971,229,674	–	–	–	1,500,000	3,972,729,674
Liabilities:						
Trade and other payables:						
Trade:						
Payable to suppliers and contractors	2,660,927,471	–	–	–	–	2,660,927,471
Related parties	597,043,568	–	–	–	–	597,043,568
Accrued expenses and other payables**	138,322,124	–	–	–	–	138,322,124
Short-term loans	1,655,079,934	–	–	–	–	1,655,079,934
Long-term debt at floating rate:						
$7.70 million loan (USD) with interest payable in arrears	1,756,419	1,756,419	345,195,455	–	–	348,708,293
$61.79 million loan (USD) with interest payable in arrears	17,139,530	546,549,905	743,999,781	1,516,278,852	–	2,823,968,068
$35.00 million loan (USD) with interest payable in arrears	9,322,950	111,431,450	226,077,098	1,257,976,720	–	1,604,808,218
$3.42 million loan (USD) with interest payable in arrears	1,260,873	1,260,873	154,399,338	–	–	156,921,084
	5,080,852,869	660,998,647	1,469,671,672	2,774,255,572	–	9,985,778,760
	(₱1,109,623,195)	(₱660,998,647)	(₱1,469,671,672)	(₱2,774,255,572)	₱1,500,000	(₱6,013,049,086)

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

	2012					
	Less than 6 months	6-12 months	1-2 years	2-3 years	More than 3 years	Total
Assets:						
Cash in bank and cash equivalents	₱396,377,882	₱–	₱–	₱–	₱–	₱396,377,882
Receivables:						
Trade:						
Outside parties	1,248,914,458	–	–	–	–	1,248,914,458
Related parties	827,350,648	–	–	–	–	827,350,648
Others*	15,199,762	–	–	–	–	15,199,762
Environmental guarantee fund	–	–	–	–	1,500,000	1,500,000
	2,487,842,750	–	–	–	1,500,000	2,489,342,750
Liabilities:						
Trade and other payables:						
Trade:						
Payable to suppliers and contractors	3,243,553,424	–	–	–	–	3,243,553,424
Related parties	474,455,526	–	–	–	–	474,455,526
Accrued expenses and other payables**	40,189,180	–	–	–	–	40,189,180
Short-term loans	138,474,613	–	–	–	–	138,474,613
Long-term debt at floating rate:						
$23.08 million loan (USD) with interest payable in arrears	636,767,242	2,625,023	321,103,675	–	–	960,495,940
$5.62 million loan (USD) with interest payable in arrears	2,073,640	2,073,640	234,551,693	–	–	238,698,973
$62.29 million loan (USD) with interest payable in arrears	2,010,660,683	3,878,195	567,784,482	–	–	2,582,323,360
$25.34 million loan (USD) with interest payable in arrears	628,401,855	419,625,036	–	–	–	1,048,026,891
	7,174,576,163	428,201,894	1,123,439,850	–	–	8,726,217,907
	(₱4,686,733,413)	(₱428,201,894)	(₱1,123,439,850)	₱–	₱1,500,000	(₱6,236,875,157)

*excludes advances for liquidation.
**excludes statutory liabilities

Foreign Currency Risk
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, 44.57% and 44.06% of the Parent Company's sales in 2013 and 2012, respectively, were denominated in US$ whereas approximately 66.49% and 53.29% of the debts as of December 31, 2013 and 2012, respectively, were denominated in US$.

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

	December 31, 2013		December 31, 2012	
	U.S. Dollar	**Peso Equivalent**	U.S. Dollar	Peso Equivalent
Assets:				
Cash and cash equivalents	**$18,246,176**	**₱810,038,965**	$7,103,530	₱291,599,923
Trade receivables	**10,654,649**	**473,013,142**	15,120,837	620,710,340
Liabilities:				
Trade payables	**(21,816,839)**	**(968,558,569)**	(7,355,720)	(301,952,322)
Short-term loans	**(32,367,091)**	**(1,436,937,001)**	(3,373,316)	(138,474,613)
Long-term debt (including current portion)	**(107,910,746)**	**(4,790,697,569)**	(116,323,594)	(4,775,083,552)
Net foreign currency denominated liabilities	**($133,193,851)**	**(₱5,913,141,032)**	($104,828,263)	(₱4,303,200,224)

The spot exchange rates used were ₱44.40 to $1 in 2013 and ₱41.05 to $1 in 2012, respectively.

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, 2013 and 2012.

Reasonably possible change in foreign exchange rate for every two units of Philippine Peso	Increase (decrease) in income before tax 2013	2012
₱2	**(₱266,387,702)**	(₱209,656,526)
(₱2)	**266,387,702**	209,656,526

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

The Parent Company recognized ₱463.94 million foreign exchange loss and ₱387.83 million foreign exchange gain for the years ended December 31, 2013 and 2012, respectively, arising from the translation of the Parent Company's cash and cash equivalents, trade receivables, trade payables, short-term loans 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 manages and controls credit risk by doing business 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 bills 80% of coal delivered payable within 30 days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered. The Parent Company's exposure to credit risk from trade receivables arise from the default of the counterparty with a maximum exposure equal to their carrying amounts.

With respect to the credit risk arising from the other financial assets of the Parent Company, which comprise cash and cash equivalents, receivables 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 management does not expect any of these institutions to fail in meeting their obligations.

The credit risk is concentrated to the following markets:

	2013	2012
Trade receivables - outside parties	**45.77%**	59.51%
Trade receivables - related parties	**53.33**	39.43
Others	**0.90**	1.06
Total	**100.00%**	100.00%

As of December 31, 2013 and 2012, the credit quality per class of financial assets is as follows:

	2013				
	Neither Past Due nor Impaired		**Substandard**	**Past due and/or Individually**	
	Grade A	**Grade B**	**Grade**	**Impaired**	**Total**
Cash and cash equivalents	**₱1,703,561,415**	**₱–**	**₱–**	**₱–**	**₱1,703,561,415**
Receivables:					
Trade receivables - outside parties	**776,627,583**	**–**	**–**	**294,692,487**	**1,071,320,070**
Trade receivables - related parties	**1,098,294,222**	**115,310,949**	**–**	**–**	**1,213,605,171**
Others	**13,371,044**	**–**	**–**	**5,815,359**	**19,186,403**
Environmental guarantee fund	**1,500,000**	**–**	**–**	**–**	**1,500,000**
Total	**₱3,593,354,264**	**₱115,310,949**	**₱–**	**₱300,507,846**	**₱4,009,173,059**

	2012				
	Neither Past Due nor Impaired		Substandard	Past due and/or Individually	
	Grade A	Grade B	Grade	Impaired	Total
Cash and cash equivalents	₱396,377,882	₱–	₱–	₱–	₱396,377,882
Receivables:					
Trade receivables - outside parties	753,328,447	229,925,118	–	265,660,893	1,248,914,458
Trade receivables - related parties	754,511,081	72,839,567	–	–	827,350,648
Others	15,199,762	–	–	5,815,359	21,015,121
Environmental guarantee fund	1,500,000	–	–	–	1,500,000
Total	₱1,920,917,172	₱302,764,685	₱–	₱271,476,252	₱2,495,158,109

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. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency. Trade receivables - 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 A accounts are considered to be of high credit rating value and are secured with coal supply agreements. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Grade B accounts are active accounts with minimal instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to 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, 2013 and 2012, the aging analysis of the Parent Company's receivables presented per class is as follows:

	2013			
	Past Due but not Impaired		**Impaired Financial**	
	<45 days	**45-135 days**	**Assets**	**Total**
Receivables:				
Trade receivables - outside parties	**₱205,773,956**	**₱59,175,268**	**₱29,743,263**	**₱294,692,487**
Others	–	–	**5,815,359**	**5,815,359**
Total	**₱205,773,956**	**₱59,175,268**	**₱35,558,622**	**₱300,507,846**

	2012			
	Past Due but not Impaired		Impaired Financial	
	<45 days	45-135 days	Assets	Total
Receivables:				
Trade receivables - outside parties	₱229,925,118	₱35,735,775	₱–	₱265,660,893
Others	–	–	5,815,359	5,815,359
Total	₱229,925,118	₱35,735,775	₱5,815,359	₱271,476,252

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.

The Parent Company is not subject to externally imposed capital requirements. No changes were made in the objectives, policies and processes from the previous years.

The Parent Company manages its capital using Debt-to-Equity ratio, which is interest-bearing loans divided by equity. The following table shows the Parent Company's capital ratios as of December 31, 2013 and 2012.

	2013	2012 (As restated)
Interest-bearing loans	**₱4,790,697,568**	₱4,775,083,552
Total equity	**14,763,448,980**	13,700,389,882
Debt-to-Equity ratio	**32.45%**	34.85%

The aggressive expansion and investment strategies of the Parent Company resulted to higher Debt-to-Equity ratios in 2013 and 2012. The Debt-to-Equity ratio is carefully matched with the strength of the Parent Company's financial position, such that when a good opportunity presents itself, the Parent Company can afford further leverage.

The following table shows the component of the Parent Company's capital as of December 31, 2013 and 2012.

	2013	2012 (As restated)
Total paid-up capital	**₱7,031,777,411**	₱7,031,777,411
Remeasurement losses on pension plan	**(5,059,113)**	(18,465,694)
Retained earnings - unappropriated	**5,436,730,682**	5,987,078,165
Retained earnings - appropriated	**2,300,000,000**	700,000,000
	₱14,763,448,980	₱13,700,389,882

29. Fair Values

Fair Value Information
Cash and cash equivalents, receivables, environmental guarantee fund, trade payables, accrued expenses and other payables, and short-term loans carrying amounts approximate their fair values due to the relatively short-term nature of the transactions.

Long-term debt
The carrying values approximated the fair value because of recent and regular repricing of interest rates (e.g. monthly, quarterly, semi-annual or annual basis) based on current market conditions. As of December 31, 2013 and 2012, interest rate ranges from 1.00% to 3.00% and from 1.03% 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, 2013 and 2012, the Parent Company does not have financial instruments measured at fair value.

30. 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 in the Parent Company financial statements.

Geographic Information
The financial information about the operations of the Parent Company as of December 31, 2013 and 2012 reviewed by the management follows:

	2013	2012
Export coal sales	**₱7,286,180,834**	₱7,010,021,039
Local coal sales	**9,391,240,910**	10,616,609,156
Revenue	**₱16,677,421,744**	₱17,626,630,195
Income before income tax	**₱5,193,200,179**	₱5,262,285,168

Substantially all revenues from external customers are from open cut mining and sales of thermal coal. Local and export classification above is based on the location of the customer.

Customers on the export sales are significantly to China while customers on the local sales are significantly to SCPC.

The following information presents the operating assets and liabilities of the Parent Company as of December 31, 2013 and 2012.

	2013			
	Mining	**Power Generation**	**Other**	**Total**
Segment assets	**₱12,363,064,898**	**₱–**	**₱–**	**₱12,363,064,898**
Investments in subsidiaries	**–**	**13,240,194,852**	**2,500,000**	**13,242,694,852**
	₱12,363,064,898	**₱13,240,194,852**	**₱2,500,000**	**₱25,605,759,750**

	2013			
	Mining	**Power Generation**	**Other**	**Total**
Segment liabilities	**₱6,186,795,010**	**₱–**	**₱–**	**₱6,186,795,010**
Long-term debt	**4,790,697,568**	**–**	**–**	**4,790,697,568**
	₱10,977,492,578	**₱–**	**₱–**	**₱10,977,492,578**
Cash flows arising from (used in):				
Operating activities	**₱6,061,212,618**	**₱–**	**₱–**	**₱6,061,212,618**
Investing activities	**(2,221,822,129)**	**–**	**–**	**(2,221,822,129)**
Financing activities	**(3,056,365,716)**	**–**	**–**	**(3,056,365,716)**
Other disclosures				
Capital expenditures	**₱1,880,310,937**	**₱–**	**₱–**	**₱1,880,310,937**
Provision for doubtful accounts	**29,743,263**	**–**	**–**	**29,743,263**
Provision for inventory obsolescence	**4,120,497**	**–**	**–**	**4,120,497**
Reversal of allowance for impairment losses	**(61,549,364)**	**–**	**–**	**(61,549,364)**

	2012			
	Mining	Power Generation	Other	Total
Segment assets	₱12,196,115,550	₱–	₱–	₱12,196,115,550
Investments in subsidiaries	–	11,310,816,605	2,500,000	11,313,316,605
	₱12,196,115,550	₱11,310,816,605	₱2,500,000	₱23,509,432,155
Segment liabilities	₱5,043,168,825	₱–	₱–	₱5,043,168,825
Long-term debt	4,775,083,552	–	–	4,775,083,552
	₱9,818,252,377	₱–	₱–	₱9,818,252,377
Cash flows arising from (used in):				
Operating activities	₱3,202,500,027	₱–	₱–	₱3,202,500,027
Investing activities	(2,683,237,924)	–	–	(2,683,237,924)
Financing activities	(3,798,040,714)	–	–	(3,798,040,714)
Other disclosures				
Capital expenditures	₱2,060,066,722	₱–	₱–	₱2,060,066,722
Reversal of allowance for doubtful accounts	(9,552,129)	–	–	(9,552,129)
Provision for impairment losses	47,150,717	–	–	47,150,717

1. Segment assets exclude deferred tax assets amounting to ₱135.18 million and ₱9.21 million in 2013 and 2012, respectively.
2. Capital expenditures consist of additions of property, plant and equipment.
3. All noncurrent assets other than financial instruments are located in the Philippines.
4. Other pertains to SCI. SCI was incorporated on November 29, 2012. Its line of business is manufacturing structural nonrefractory clay and ceramic products.

31. Events after Reporting Date

On March 19, 2014, the Parent Company's BOD approved the following matters, during their regular meeting, which are subject to approval of stockholders in their upcoming annual meeting on May 5, 2014:

- Stock dividends declaration amounting to ₱712,500,000, divided into 712,500,000 shares at the par value of ₱1.00 per share, or two (2) common shares for every one common share held, from the unrestricted retained earnings of the Parent Company as of December 31, 2013, and

to be issued from the increase in the authorized capital stock of the Parent Company with delegation to the President of the power to determine the record date and payment dates;

- Change in corporate name to Semirara Mining and Power Corporation;
- Increase in authorized capital stock from ₱1,000,000,000 to ₱3,000,000,000;
- Change in principal office address from "Metro Manila" to "2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City, Metro Manila" in compliance to SEC Memorandum Circular No. 6, Series of 2014; and
- Ratification of the Parent Company's authority to execute the required securities and corporate guarantee in relation to the procurement of project debt facility by its wholly owned subsidiary, St. Raphael Power Generation Corporation (SRPGC) to fund Phase 2 of its power expansion at Calaca, Batangas, with capacity of up to 400 MW and project cost of up to USD600 million, of which 70% shall be funded by debt, and the 30% equity requirement shall be funded by the Parent Company. The Parent Company pledged 67% voting shares and interim corporate suretyship in SRPGC for the project debt facility.

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

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

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULE

The Stockholders and the Board of Directors
Semirara Mining Corporation
2nd Floor, DMCI Plaza Building
2281 Pasong Tamo Extension
Makati City

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of Semirara Mining Corporation as at and for the years ended December 31, 2013 and 2012 and have issued our report thereon dated March 19, 2014. 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 Financial Statements and Supplementary Schedules are the responsibility of the Parent Company's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 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 states, 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.

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-A (Group A),
May 31, 2012, valid until May 30, 2015
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225226, January 2, 2014, Makati City

March 19, 2014

SEMIRARA MINING CORPORATION
INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

Report of Independent Auditors' on Supplementary Schedules

Schedule of Retained Earnings Available for Dividend Declaration

Schedule of all the effective standards and interpretations under PFRS as of December 31, 2013

SEMIRARA MINING CORPORATION

SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2013

Unappropriated Retained Earnings, beginning		₱5,987,078,165
Adjustments (PAS 19R – transition adjustment)		3,024,550
Unappropriated retained earnings, as adjusted to available for dividend distribution, as at December 31, 2012		5,990,102,715
Net income actually earned/realized during the period:		
Net income during the period closed to retained earnings	₱5,324,652,517	
Less: Non actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain-net (except those attributable to Cash and Cash equivalents)	209,888,548	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Deferred tax asset that reduced the amount of income tax expense	131,717,141	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP-loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Net income actually earned during the period	4,983,046,828	
Add (Less):		
Dividend declarations during the period	(4,275,000,000)	
Appropriations of retained earnings during the period	(1,600,000,000)	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	(891,953,172)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		**₱5,098,149,543**

SEMIRARA MINING CORPORATION

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional schedule requirements for large entities showing a list of all effective standards and interpretations under Philippine Financial Reporting Standards (PFRS).

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2013:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		✓	
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		

Standards tagged as "Not applicable" have been adopted by the Parent Company but have no significant covered transactions for the year ended December 31, 2013.

Standards tagged as "Not adopted' are standards issued but not yet effective as of December 31, 2013. The Parent Company will adopt the Standards and Interpretations when these become effective.

SEMIRARA MINING CORPORATION

SUPPLEMENTARY TAX INFORMATION
UNDER REVENUE REGULATIONS 19-2011 and 15-2010
FOR THE YEAR ENDED DECEMBER 31, 2013

In its 2013 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	₱12,525,188,780	₱–	₱4,152,232,964	₱16,677,421,744
Cost of Sales/Services	4,574,725,789	–	7,157,840,804	11,732,566,593
Gross income from operation	7,950,462,991	–	(3,005,607,840)	4,944,855,151
Non-Operating and Taxable Other Income	–	–	16,353,410	16,353,410
Total gross income	7,950,462,991	–	(2,989,254,430)	4,961,208,561
Less: Itemized Deductions	(1,362,930,115)	–	(451,202,347)	(1,814,132,462)
Net Taxable Income (Loss)	₱6,587,532,876	₱–	(₱3,440,456,777)	₱3,147,076,099

Non-Operating and Taxable Other Income consists of:

	Exempt	Special	Regular	Total
Gain on sale of equipment	₱–	₱–	₱135,073	₱135,073
Recoveries from insurance claims	–	–	10,632,170	10,632,170
Miscellaneous	–	–	5,586,167	5,586,167
	₱–	₱–	₱16,353,410	₱16,353,410

Itemized Deduction consists of:

	Exempt	Special	Regular	Total
Government share	₱980,060,674	₱–	₱324,900,511	₱1,304,961,185
Interest	114,627,554	–	37,376,804	152,004,358
Salaries, wages and employee benefits	100,477,322	–	33,309,297	133,786,619
Other services	26,008,709	–	8,622,163	34,630,872
Advertising and marketing	23,651,719	–	7,840,796	31,492,515
Taxes and licenses	23,043,287	–	7,639,094	30,682,381
Depreciation and amortization	21,044,058	–	6,976,328	28,020,386
Rental	15,927,854	–	5,280,253	21,208,107
Transportation and travel	13,202,000	–	4,376,603	17,578,603
Entertainment, amusement and recreation	8,868,116	–	2,939,875	11,807,991
Communication, light and water	7,007,920	–	2,323,200	9,331,120
Commission	6,550,451	–	2,171,544	8,721,995
Supplies	6,101,638	–	2,022,758	8,124,396
Repairs and maintenance	3,073,838	–	1,019,010	4,092,848
Loss on disposal of property, plant and equipment	1,577,468	–	522,948	2,100,416
Insurance	1,110,145	–	368,025	1,478,170
Miscellaneous	10,597,362	–	3,513,138	14,110,500
	₱1,362,930,115	₱–	₱451,202,347	₱1,814,132,462

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 ₱16.68 billion was not subjected to sales taxes, such as output VAT.

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 2013:

Included in Cost of coal sales:	
Registration, licenses and permit fees	₱29,959,164
Real property taxes	2,905,898
	₱32,865,062

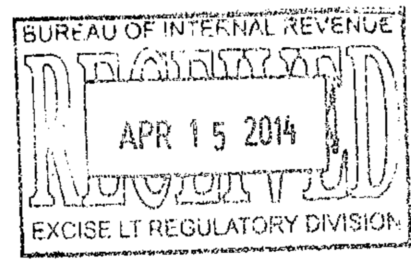
Included in Operating expenses:	
Government royalty fee	₱1,304,961,185
Deficiency tax	35,155,941
Registration, licenses and permit fees	11,874,967
Documentary stamp taxes	1,024,652
	₱1,353,016,745

Withholding taxes
As of December 31, 2012, total remittances and balance of withholding taxes are as follows:

	Total Remittances	Balance
Final	₱155,360,000	₱1,659,050
Compensation	71,421,332	42,704,938
Expanded	60,082,897	6,239,218
Total	₱286,864,229	₱50,603,206

Tax assessment and cases
The Parent Company received a Letter of Authority on May 20, 2010 from Bureau of Internal Revenue (BIR) for alleged deficiency income tax, documentary stamp tax and expanded withholding tax for taxable year 2009. After thorough examination, the BIR issued a Termination Letter dated November 16, 2012 for the following deficiency taxes, inclusive of interest, which the Parent Company accepted and paid in 2013:

Nature of tax case	Period Covered	Amount
Income tax	2009	₱24,993,555
Documentary stamp tax	2009	7,428,375
Expanded withholding tax	2009	2,734,011
Total		₱35,155,941



Conso
SEC

COVER SHEET

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

SEC Registration Number

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

(Company's Full Name)

2nd Floor, DMCI Plaza Building, 2281 Pasong Tamo Extension, Makati City

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

Ms. Junalina S. Tabor
(Contact Person)

816-7301
(Company Telephone Number)

1	2		3	1

Month *Day*
(Fiscal Year)

A	A	F	S	

(Form Type)

0	5		0	5

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

SEC
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

663
Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

EXCISE LT REGULATORY DIVISION

Remarks: Please use BLACK ink for scanning purposes.

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

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

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Semirara Mining Corporation
2nd Floor, DMCI Plaza Building
2281 Pasong Tamo Extension
Makati City

We have audited the accompanying consolidated financial statements of Semirara Mining Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

EXCISE LT REGULATORY DIVISION

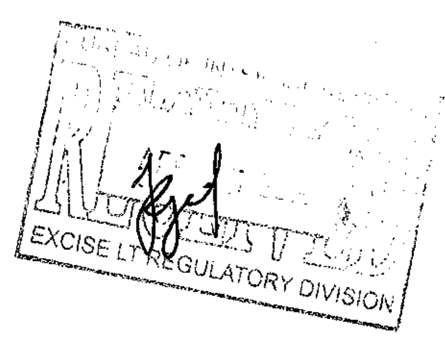
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Semirara Mining Corporation and its subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-A (Group A),
May 31, 2012, valid until May 30, 2015
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225226, January 2, 2014, Makati City

March 19, 2014

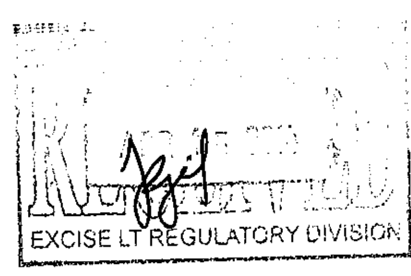


I.C.T.D.
APR 1 5 2014
RECEIVED SUBJECT TO REVIEW OF

SEMIRARA MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31		January 1
	2013	2012 As restated (see Note 2)	2012 As restated (see Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 4, 29 and 30)	**₱4,819,307,265**	₱534,390,774	₱5,005,240,275
Receivables (Notes 5, 18, 29 and 30)	**4,031,651,937**	3,581,843,715	3,215,781,247
Inventories (Notes 6 and 8)	**4,629,560,568**	5,659,589,353	4,592,835,539
Other current assets (Notes 7 and 31)	**1,319,685,738**	1,935,930,078	1,310,428,666
Total Current Assets	**14,800,205,508**	11,711,753,920	14,124,285,727
Noncurrent Assets			
Property, plant and equipment (Note 8)	**27,286,155,824**	22,724,754,817	20,737,333,275
Investment in sinking fund (Notes 9, 13, 29 and 30)	**517,603,224**	508,041,189	490,789,157
Exploration and evaluation asset (Note 10)	**348,152,638**	–	–
Deferred tax assets (Notes 25 and 33)	**139,957,352**	10,748,143	19,747,094
Other noncurrent assets (Notes 11, 29, 30 and 31)	**1,635,316,348**	1,240,033,021	257,380,474
Total Noncurrent Assets	**29,927,185,386**	24,483,577,170	21,505,250,000
	₱44,727,390,894	₱36,195,331,090	₱35,629,535,727
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables (Notes 14, 18, 29 and 30)	**₱6,184,656,544**	₱6,813,145,215	₱7,299,028,784
Short-term loans (Notes 12, 29 and 30)	**1,655,079,934**	175,646,271	1,010,692,002
Current portion of long-term debt (Notes 13, 29 and 30)	**2,151,158,019**	5,182,961,376	2,992,660,795
Total Current Liabilities	**9,990,894,497**	12,171,752,862	11,302,381,581
Noncurrent Liabilities			
Long-term debt - net of current portion (Notes 13, 29 and 30)	**13,657,488,332**	6,996,312,300	9,469,150,099
Deferred tax liabilities (Note 25)	**–**	–	565,480
Provision for decommissioning and site rehabilitation (Note 15)	**196,504,051**	62,448,101	47,582,228
Pension liabilities (Note 19)	**31,645,362**	36,547,475	6,772,120
Other noncurrent liabilities (Notes 11 and 18)	**723,346,948**	57,938,954	–
Total Noncurrent Liabilities	**14,608,984,693**	7,153,246,830	9,524,069,927
Total Liabilities	**24,599,879,190**	19,324,999,692	20,826,451,508
Equity			
Capital stock (Notes 16 and 29)	**356,250,000**	356,250,000	356,250,000
Additional paid-in capital (Notes 16 and 29)	**6,675,527,411**	6,675,527,411	6,675,527,411
Remeasurement gains (losses) on pension plan (Notes 2, 19 and 29)	**(5,876,670)**	(18,465,694)	(2,072,866)
Retained earnings (Notes 17 and 29)			
Unappropriated	**10,801,610,963**	9,157,019,681	7,073,379,674
Appropriated	**2,300,000,000**	700,000,000	700,000,000
Total Equity	**20,127,511,704**	16,870,331,398	14,803,084,219
	₱44,727,390,894	₱36,195,331,090	₱35,629,535,727

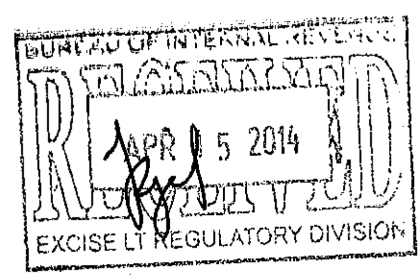
See accompanying Notes to Consolidated Financial Statements.



SEMIRARA MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2013	2012 As restated (see Note 2)	2011 As restated (see Note 2)
REVENUE (Note 33)			
Coal	**₱12,573,569,245**	₱14,450,155,334	₱16,201,880,411
Power	**14,757,590,738**	9,700,092,214	9,611,704,378
	27,331,159,983	24,150,247,548	25,813,584,789
COST OF SALES (Notes 18, 20 and 33)			
Coal	**8,664,871,498**	9,825,154,753	11,101,153,958
Power	**5,445,624,630**	4,818,786,103	5,559,465,504
	14,110,496,128	14,643,940,856	16,660,619,462
GROSS PROFIT	**13,220,663,855**	9,506,306,692	9,152,965,327
OPERATING EXPENSES (Notes 21 and 33)	**(5,264,517,633)**	(3,398,375,301)	(2,856,258,209)
INCOME FROM OPERATIONS	**7,956,146,222**	6,107,931,391	6,296,707,118
OTHER INCOME (CHARGES)			
Finance income (Notes 23 and 33)	**26,804,566**	82,144,317	134,876,681
Finance costs (Notes 22 and 33)	**(381,229,343)**	(501,280,033)	(483,287,781)
Foreign exchange gains (losses) - net (Note 33)	**(481,177,225)**	391,000,330	(38,318,119)
Other income (Notes 24 and 33)	**281,208,758**	318,448,268	99,905,297
	(554,393,244)	290,312,882	(286,823,922)
INCOME BEFORE INCOME TAX	**7,401,752,978**	6,398,244,273	6,009,883,196
PROVISION FOR (BENEFIT FROM) INCOME TAX (Notes 25 and 33)	**(117,838,304)**	39,604,266	(21,894,514)
NET INCOME	**7,519,591,282**	6,358,640,007	6,031,777,710
OTHER COMPREHENSIVE INCOME			
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on pension plan (Notes 2 and 19)	**17,984,320**	(23,418,326)	(2,961,237)
Income tax effect	**(5,395,296)**	7,025,498	888,371
TOTAL COMPREHENSIVE INCOME	**₱7,532,180,306**	₱6,342,247,179	₱6,029,704,844
Basic/Diluted Earnings per Share (Note 26)	**₱21.11**	₱17.85	₱16.93

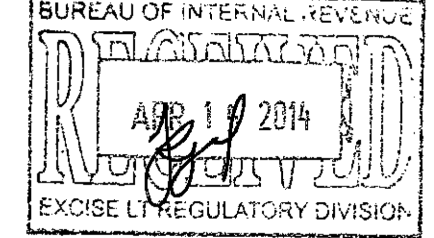
See accompanying Notes to Consolidated Financial Statements.



SEMIRARA MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

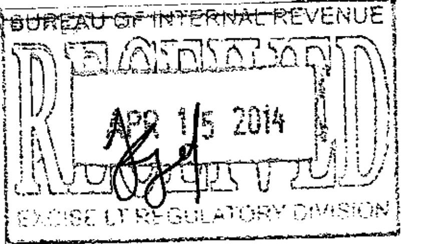
	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Unappropriated Retained Earnings (Note 17)	Appropriated Retained Earnings (Note 17)	Remeasurement Gains (Losses) on Pension Plan (Note 2)	Total
			For the Year Ended December 31, 2013			
Balances as of December 31, 2012, as previously stated	**₱356,250,000**	**₱6,675,527,411**	**₱9,160,044,218**	**₱700,000,000**	**₱–**	**₱16,891,821,629**
Effect of the adoption of Revised PAS 19 (Note 2)	–	–	**(3,024,537)**	–	**(18,465,694)**	**(21,490,231)**
Balances as of December 31, 2012, as restated	**356,250,000**	**6,675,527,411**	**9,157,019,681**	**700,000,000**	**(18,465,694)**	**16,870,331,398**
Comprehensive income						
Net income	–	–	**7,519,591,282**	–	–	**7,519,591,282**
Other comprehensive income	–	–	–	–	**12,589,024**	**12,589,024**
Total comprehensive income	–	–	**7,519,591,282**	–	**12,589,024**	**7,532,180,306**
Appropriation	–	–	**(1,600,000,000)**	**1,600,000,000**	–	–
Dividends declared	–	–	**(4,275,000,000)**	–	–	**(4,275,000,000)**
Balances as of December 31, 2013	**₱356,250,000**	**₱6,675,527,411**	**₱10,801,610,963**	**₱2,300,000,000**	**(₱5,876,670)**	**₱20,127,511,704**
			For the Year Ended December 31, 2012			
Balances as of January 1, 2012, as previously stated	₱356,250,000	₱6,675,527,411	₱7,076,762,346	₱700,000,000	₱–	₱14,808,539,757
Effect of the adoption of Revised PAS 19 (Note 2)	–	–	(3,382,672)	–	(₱2,072,866)	(5,455,538)
Balances as of January 1, 2012, as restated	356,250,000	6,675,527,411	7,073,379,674	700,000,000	(₱2,072,866)	14,803,084,219
Comprehensive income						
Net income, as previously stated	–	–	6,358,281,872	–	–	6,358,281,872
Effect of the adoption of Revised PAS 19 (Note 2)	–	–	358,135	–	–	358,135
Net income, as restated	–	–	6,358,640,007	–	–	6,358,640,007
Other comprehensive income, as previously stated	–	–	–	–	–	–

(Forward)



	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Unappropriated Retained Earnings (Note 17)	Appropriated Retained Earnings (Note 17)	Remeasurement Gains (Losses) on Pension Plan (Note 2)	Total
Effect of the adoption of Revised PAS 19 (Note 2)	₱–	₱–	₱–	₱–	(₱16,392,828)	(₱16,392,828)
Other comprehensive income, as restated	–	–	–	–	(16,392,828)	(16,392,828)
Total comprehensive income, as restated	–	–	6,358,640,007	–	(16,392,828)	6,342,247,179
Dividends declared	–	–	(4,275,000,000)	–	–	(4,275,000,000)
Balances as of December 31, 2012, as restated	₱356,250,000	₱6,675,527,411	₱9,157,019,681	₱700,000,000	(₱18,465,694)	₱16,870,331,398
			For the Year Ended December 31, 2011			
Balances as of January 1, 2011, as previously stated	₱356,250,000	₱6,675,527,411	₱4,608,125,771	₱700,000,000	₱–	₱12,339,903,182
Effect of the adoption of Revised PAS 19 (Note 2)	–	–	(4,023,807)	–	–	(4,023,807)
Balances as of January 1, 2011, as restated	356,250,000	6,675,527,411	4,604,101,964	700,000,000	–	12,335,879,375
Comprehensive income						
Net income, as previously stated	–	–	6,031,136,575	–	–	6,031,136,575
Effect of the adoption of Revised PAS 19 (Note 2)	–	–	641,135	–	–	641,135
Net income, as restated	–	–	6,031,777,710	–	–	6,031,777,710
Other comprehensive income, as previously stated	–	–		–	–	–
Effect of the adoption of Revised PAS 19 (Note 2)	–	–	–	–	(2,072,866)	(2,072,866)
Other comprehensive income, as restated	–	–	–	–	(2,072,866)	(2,072,866)
Total comprehensive income, as restated	–	–	6,031,777,710	–	(2,072,866)	6,029,704,844
Dividends declared	–	–	(3,562,500,000)	–	–	(3,562,500,000)
Balances as of December 31, 2011, as restated	₱356,250,000	₱6,675,527,411	₱7,073,379,674	₱700,000,000	(₱2,072,866)	₱14,803,084,219

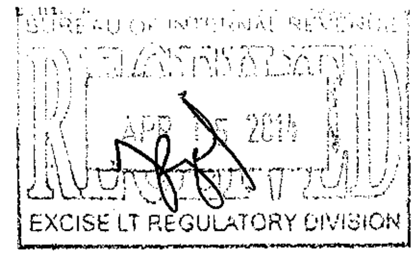
See accompanying Notes to Consolidated Financial Statements.



SEMIRARA MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

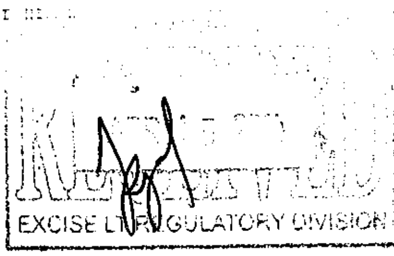
	Years Ended December 31		
	2013	2012 As restated (see Note 2)	2011 As restated (see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱7,401,752,978**	₱6,398,244,273	₱6,009,883,196
Adjustments for:			
Depreciation and amortization (Notes 8, 11, 20 and 21)	**3,901,422,138**	2,864,685,264	2,673,265,190
Loss on disposal and writedown of property, plant and equipment (Notes 8 and 21)	**449,910,879**	341,146,346	–
Provision for (reversal of) allowance for doubtful accounts (Notes 5, 21 and 24)	**443,650,080**	(9,552,129)	(2,887,831)
Finance costs (Note 22)	**381,229,343**	501,280,033	483,287,781
Net unrealized foreign exchange losses (gains)	**309,119,279**	(222,718,411)	37,939,453
Pension expense (Note 19)	**19,939,843**	8,286,117	6,530,366
Gain on sale of equipment (Notes 8 and 24)	**(135,073)**	(127,491,090)	(53,547,507)
Finance income (Note 23)	**(26,804,566)**	(82,144,317)	(134,876,681)
Provision for (reversal of) impairment losses (Notes 11, 21 and 24)	**(61,549,364)**	47,150,717	–
Operating income before changes in operating assets and liabilities	**12,818,535,537**	9,718,886,803	9,019,593,967
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**(894,499,145)**	(1,153,130,701)	(70,265,227)
Inventories	**1,102,438,628**	(871,624,332)	(3,468,381,792)
Other current assets	**604,555,167**	(706,604,467)	(697,662,177)
Increase (decrease) in trade and other payables	**(635,524,320)**	345,413,475	2,206,216,109
Cash generated from operations	**12,995,505,867**	7,332,940,778	6,989,500,880
Contributions to pension plan (Note 19)	**–**	–	(28,464,526)
Benefits paid (Note 19)	**(6,857,636)**	(1,929,088)	–
Interest received	**26,801,810**	76,576,301	134,757,554
Interest paid	**(355,711,778)**	(468,137,685)	(457,767,190)
Income taxes paid	**(5,074,275)**	(5,248,207)	(23,036,319)
Net cash provided by operating activities	**12,654,663,988**	6,934,202,099	6,614,990,399
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment (including borrowing cost) (Notes 8 and 32)	**(8,897,742,645)**	(5,369,645,794)	(2,454,376,480)
Additions to computer software (Note 11)	**(4,936,722)**	(1,052,066)	(4,712,460)
Additions to investment in sinking fund (Note 9)	**(10,812,036)**	(17,252,032)	(180,559,599)
Decrease (increase) in other noncurrent assets (Note 11)	**(332,430,801)**	(1,033,157,655)	54,422,078
Proceeds from sale of equipment (Note 8)	**135,073**	127,491,109	56,175,636
Additions to exploration and evaluation asset (Note 10)	**(298,731,356)**	–	–
Increase in other noncurrent liabilities (Note 11)	**665,407,994**	57,938,954	–
Acquisition of a subsidiary - net of cash acquired (Note 2)	**1,250,000**	–	–
Net cash used in investing activities	**(8,877,860,493)**	(6,235,677,484)	(2,529,050,825)

(Forward)



	Years Ended December 31		
	2013	2012 As restated (see Note 2)	2011 As restated (see Note 2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans	**₱15,522,112,961**	₱4,466,523,614	₱4,895,811,758
Payments of:			
Dividends (Note 17)	**(4,275,000,000)**	(4,275,000,000)	(3,562,500,000)
Loans	**(10,748,643,259)**	(5,297,823,378)	(4,234,947,419)
Net cash (used in) provided by financing activities	**498,469,702**	(5,106,299,764)	(2,901,635,661)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**9,643,294**	(63,074,352)	7,652,845
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**4,284,916,491**	(4,470,849,501)	1,191,956,758
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**534,390,774**	5,005,240,275	3,813,283,517
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱4,819,307,265**	₱534,390,774	₱5,005,240,275

See accompanying Notes to Consolidated Financial Statements.



SEMIRARA MINING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

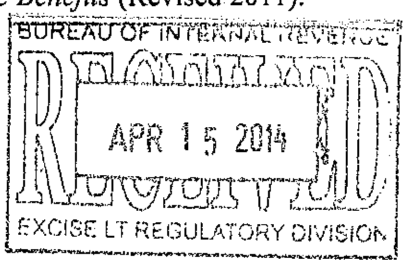
The Parent Company's shares of stock are listed and are currently traded at the Philippine Stock Exchange (PSE).

The consolidated financial statements as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 were endorsed for approval by the Audit Committee on March 3, 2014 and were authorized for issue by the Executive Committee of the Board of Directors (BOD) on March 19, 2014.

2. Summary of Significant Accounting Policies

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

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at January 1, 2012 is presented in these consolidated financial statements due to retrospective application of Philippine Accounting Standards (PAS) 19, *Employee Benefits* (Revised 2011).



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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as of December 31, 2013 and 2012, and for each of the three years in the period ended December 31, 2013.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intercompany transactions that are recognized in assets are eliminated in full.

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

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

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

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

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

	Effective Percentages of Ownership		
	2013	2012	2011
Sem-Calaca Power Corporation (SCPC)	**100.00%**	100.00%	100.00%
Southwest Luzon Power Generation Corporation (SLPGC)	**100.00**	100.00	100.00
SEM-Cal Industrial Park Developers, Inc. (SIPDI)	**100.00**	100.00	100.00
Semirara Claystone, Inc. (SCI)	**100.00**	100.00	–
Semirara Energy Utilities, Inc. (SEUI)	**100.00**	–	–
St. Raphael Power Generation Corporation (SRPGC)	**100.00**	–	–
SEM-Balayan Power Generation Corporation (SBPGC)	**100.00**	–	–
Sem-Calaca RES Corporation (SCRC)*	**100.00**	–	–

**Wholly owned subsidiary of SCPC*

Except for SCPC, the Parent Company's subsidiaries have not yet started commercial operations as of December 31, 2013.

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 2 x 300 megawatt (MW) Batangas Coal-Fired Power Plant (the Power Plant) located in San Rafael, Calaca, Batangas.

On December 1, 2009, the Parent Company was authorized by the Board of Directors (BOD) to advance the amount of ₱7.16 billion for purchase of the Power Plant from PSALM, through its wholly owned subsidiary in order to meet SCPC's financial obligation under Asset Purchase Agreement (APA) and Land Lease Agreement (LLA). 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 2, 2009. The agreed Purchase Price amounted to $368.87 million.

SLPGC
On August 31, 2011, SLPGC was incorporated to acquire, design, develop, construct, expand, invest in, and operate electric power plants, and engage in business of a Generation Company in accordance with RA No. 9136, otherwise known as Electric Power Industry Reform Act of 2001 (EPIRA); to invest in, operate and engage in missionary electrification as a Qualified Third Party under EPIRA and its implementing rules and regulations; and to design, develop, assemble and operate other power related facilities, appliances and devices.

SIPDI
On April 24, 2011, SIPDI was incorporated to acquire, develop, construct, invest in, operate and maintain an economic zone capable of providing infrastructures and other support facilities for export manufacturing enterprises, information technology enterprises, tourism economic zone enterprises, medical tourism economic zone enterprises, retirement economic zone enterprises and/or agro-industrial enterprises, inclusive of the required facilities and utilities, such as light and power system, water supply and distribution system, sewerage and drainage system, pollution control devices, communication facilities, paved road network, and administration building as well as amenities required by professionals and workers involved in such enterprises, in accordance with R.A. No. 7916, as amended by R.A. No. 8748, otherwise known as the Special Economic Zone Act of 1995.

SCI
On November 29, 2012, SCI was incorporated to engage in, conduct, and carry on the business of manufacturing, buying, selling, distributing, marketing at wholesale and retail insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description including pottery earthenware, stoneware, bricks, tiles, roofs and other merchandise produce from clay; to enter into all contracts for export, import, purchase requisition, sale at wholesale or retail and other disposition for its own account as principal or in representative capacity as manufacturer's representative, merchandise broker, indentor, commission merchant, factors or agents, upon consignment of all goods, wares, merchandise or products natural or artificial.

SEUI
On February 18, 2013, SEUI was incorporated to perform Qualified Third Party (QTP) functions pursuant to Section 59 of Republic Act 9136, otherwise known as the "Electric Power Industry Reform Act of 2001 ("EPIRA") and its Implementing Rules & Regulations". DOE-Circular No. 2004-06-006 of the Department of Energy defines QTP as an alternative service provider authorized to serve remote and unviable areas pursuant to Section 59 of the EPIRA Law. The new company intends to act as the QTP over Barangays of Semirara, Tinogboc and Alegria, all located at Semirara Island, Caluya, Antique.

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

SBPGC
On September 9, 2013, SBPGC was incorporated to acquire, construct, erect, assemble, rehabilitate, expand, commission, operate and maintain power-generating plants and related facilities for the generation of electricity, including facilities to purchase, manufacture, develop or process fuel for the generation of such electricity, to sell electricity to any person or entity through electricity markets, by trading, or by contract, to administer, conserve and manage the electricity generated by power-generating plants, owned by SBPGC or by a third party, to invest in or acquire corporations or entities engaged in any of the foregoing activities.

SCRC
SCRC is a stock corporation registered with SEC on September 14, 2009, primarily to sell electricity to any person or entity through electricity markets, by trading, or by contract, to administer, conserve and manage the electricity generated by power-generating plants, owned by its affiliates or by a third party, to invest in or acquire corporations or entities engaged in any of the foregoing activities.

Prior to 2013, DMCI-HI owns 100% of common shares of SCRC. However, on March 15, 2013, DMCI-HI assigned all of its 1.25 million shares in SCRC at ₱1.00 par value or in the total amount of ₱1.25 million , making it as a wholly owned subsidiary of SCPC.

On September 25, 2013, SCPC infused additional 6.75 million shares totaling ₱8.00 million as of December 31, 2013.

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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

the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.
Each unit or group of units to which the goodwill is allocated:

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

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

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

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

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

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS, PAS and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) which became effective on January 1, 2013. Adoption of these changes in PFRS constitutes an additional statement of financial position at the beginning of the earliest period due to retrospective application of such amendments. Except as otherwise indicated, the adoption of these new accounting standards and amendments have no material impact on the Group's financial statements.

The nature and the impact of each new standard and amendment are described below:

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  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 statement of financial position;
    c) The net amounts presented in the statement 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.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 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. A reassessment of control was performed by the Parent Company on all its interest in other entities and has determined that there are no additional entities that need to be consolidated or entities to be deconsolidated.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The new standard is effective for periods beginning on or after January 1, 2013 and has no impact on the Group's financial position or performance.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The new standard is effective for periods beginning on or after January 1, 2013 and has no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs 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. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values. Additional disclosures, where required, are provided in Note 30. The new standard is effective for periods beginning on or after January 1, 2013.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be

recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments are effective for periods beginning on or after July 1, 2012.

- PAS 19, *Employee Benefits* (Revised)
  On January 1, 2013, the Group adopted the Revised PAS 19.

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit liability and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in profit or loss in the period they occur.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit liability, each as at the beginning of the annual period.

  The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

  Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Group's financial position and financial performance.

  The changes in accounting policies have been applied retrospectively. The effects of the adoption in the consolidated financial statements are as follows:

	As at December 31, 2013	As at December 31, 2012 (As restated)	As at January 1, 2012 (As restated)
Increase (decrease) in:			
Consolidated Statements of Financial Position			
Net defined benefit liability	₱12,716,015	₱30,700,336	₱7,793,626
Deferred tax assets	(3,814,808)	(9,210,105)	(2,338,088)
Remeasurement losses on pension plan	(5,876,670)	(18,465,694)	(2,072,866)
Retained earnings	(3,024,537)	(3,024,537)	(3,382,672)

	2013	2012 (As restated)	2011 (As restated)
Consolidated Statements of Comprehensive Income			
General and administrative expenses	(₱171,175)	(₱511,604)	(₱915,907)
Income before income tax	171,175	511,604	915,907
Provision for income tax	51,352	153,481	274,772
Net income for the year	119,823	358,123	641,135
Other comprehensive income			
Remeasurement losses (gains) of defined benefit obligation (Note 19)	(17,984,320)	23,418,326	2,961,237
Income tax effects	5,395,296	(7,025,498)	(888,371)
Other comprehensive income for the year, net of tax	12,589,024	(16,392,828)	(2,072,866)
Total comprehensive income for the year	₱12,708,847	(₱16,034,705)	(₱1,431,731)

The adoption did not have an impact on statement of cash flows.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the entities in the Group. The revised standard is effective for periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, 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 revised standard is effective for periods beginning on or after January 1, 2013.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. Management has assessed the impact of the interpretation on its coal mining activities both for the open pit mining and the one under exploration and evaluation. Management has concluded that its existing accounting policy is consistent with the requirements of the new interpretation and therefore the adoption did not impact both the financial position and performance of the Group.

- PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans* (Amendments)
  The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance,* prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments*: *Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Group and effective for the periods beginning on or after January 1, 2013.

Annual Improvements to PFRSs (2009-2011 cycle)
The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year. These amendments are not relevant to the Group and effective for the periods beginning on or after January 1, 2013.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
  These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at January 1, 2012. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not have any significant impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not have any significant impact on the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

New Standards and Interpretations Issued but not yet Effective

The Group will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). The Group does not expect that this amendment would have significant financial impact in the future financial statements.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have significant financial impact in future financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group does not expect that this amendment would have significant financial impact in the future financial statements.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments 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 affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as

reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

Annual Improvements to PFRSs (2010-2012 cycle)
The *Annual Improvements to PFRSs* (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of

revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The *Annual Improvements to PFRSs* (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard

is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PFRS 9, *Financial Instruments*
PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

In compliance with SEC Memorandum Circular No. 3, Series of 2012, the Group has conducted a study on the impact of an early adoption of PFRS 9. After careful consideration of the results on the impact evaluation, the Group has decided not to early adopt PFRS 9 for its 2013 annual financial reporting. Therefore, these consolidated financial statements do not reflect the impact of the said standard.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the 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. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

Financial Assets and Financial Liabilities

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

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

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

As of December 31, 2013 and 2012, the Group's financial assets and financial liabilities are of the nature of loans and receivables and other financial liabilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted

at the financial assets' original EIR (i.e., the EIR computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

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

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

Derecognition of Financial Instruments

Financial assets

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

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

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

Financial liabilities

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

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are only offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

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

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

Exploration and Evaluation Asset

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

Exploration and evaluation activity includes:

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

License costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to consolidated statement of comprehensive income as incurred, unless the Group's management concludes that a future economic benefit is more likely than not to be realized. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

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

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

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

Stripping Costs

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

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below. After the commencement of production further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The costs of such stripping are accounted for in the same way as development stripping (as outlined above).

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

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

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

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

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

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

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

Mining Reserves

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

Property, Plant and Equipment

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

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

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

Mine properties consists of stripping activity asset and expenditures transferred from 'Exploration and evaluation asset' once the work completed supports the future development of the property. Mine properties are depreciated or amortized on a unit-of-production basis over the economically recoverable reserves of the mine concerned.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life

is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

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

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

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

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

<u>Current and Noncurrent Classification</u>
The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is either:

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

All other assets are classified as noncurrent.

A liability is current when either:

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

The Group classifies all other liabilities as noncurrent.

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

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

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

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

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

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

Other income
Other income is recognized when earned.

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

Cost of power
Cost of power includes costs directly related to the production and sale of electricity such as cost of coal, fuel, depreciation and other related costs. Cost of coal and fuel are recognized at the time the related coal and fuel inventories are consumed for the production of electricity.

Cost of power also includes electricity purchased from the spot market and its related market fees. These costs are recognized when the Group receives the electricity and simultaneously sells to its customers.

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

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

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

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

Defined benefit costs comprise the following:
- Service costs
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market

price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related liabilities). If the fair value of the plan assets is higher than the present value of the defined benefit liability, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

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

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

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

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

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

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

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

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

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

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

Provisions

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

Provision for decommissioning and site rehabilitation

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

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

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. It requires consideration as to whether the fulfillment of the

arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

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

<u>Foreign Currency Transactions and Translation</u>
The Group's financial statements are presented in Philippine peso, which is also the functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate at reporting date. All differences are taken to the consolidated statement of comprehensive income.

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

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

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

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

Operating Segments
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group generally accounts for intersegment revenues and expenses at agreed transfer prices. Income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of income after taxes. Financial information on operating segments is presented in Note 33 to the consolidated financial statements.

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

b. *Operating lease commitments - the Group as lessee*
The Group has entered into various contract of lease for space, and mining and transportation equipment. The Group has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Group considered the substance of the transaction rather than the form of the contract (See Note 31).

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

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

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

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

Furthermore, judgments and estimates are also used to apply the units of production method in determining the depreciable lives of the stripping activity asset.

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

Management's Use of Estimates and Assumptions

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

a. *Revenue recognition*

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

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

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

   The amounts of revenue from coal sales are disclosed in Note 33.

b. *Estimating allowance for doubtful accounts*

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

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

   The above assessment resulted to an additional allowance of ₱443.65 million in 2013 and reversal of ₱9.56 million in 2012.

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

c. *Estimating stock pile inventory quantities*

   The Group estimates the stock pile inventory by conducting a topographic survey which is performed by in-house surveyors and third-party surveyors. The survey is conducted on a monthly basis with a reconfirmatory survey at year end. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus 3%. Thus, an increase or decrease in the estimation threshold for any period would differ if the Group utilized different estimates and this would either increase or decrease the profit for the year.

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

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

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

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

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

Capitalized development costs are disclosed in Note 11.

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

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

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

In 2013, management has determined that components of Unit 2 of its power plant will have to be dismantled and repaired in the first quarter of 2014. These components have original useful lives of 2-15 years in the books. Because of the planned activity, management has accelerated the depreciation of these components and recognized an additional depreciation of ₱1.11 billion in 2013.

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

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

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

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

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

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

i. Deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Group will generate taxable earnings in future periods, 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 Group to realize the net deferred tax assets recorded at reporting date could be impacted.

In 2013 and 2012, the Group has various deductible temporary differences from which no deferred tax assets have been recognized as these are expected to be reversed within the period of the operating activities (see Note 25).

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

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

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

4. Cash and Cash Equivalents

This account consists of:

	2013	2012
Cash on hand and in banks	**₱3,302,824,538**	₱520,098,757
Cash equivalents	**1,516,482,727**	14,292,017
	₱4,819,307,265	₱534,390,774

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents include short-term placements made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective prevailing short-term placement rates ranging from 1.00% to 4.63% in 2013 and 2012, respectively.

In 2013, 2012 and 2011, total interest income earned from cash and cash equivalents amounted to ₱13.77 million, ₱63.70 million and ₱123.35 million, respectively (see Note 23).

5. Receivables

This account consists of:

	2013	2012
Trade receivables - outside parties	**₱4,393,716,197**	₱3,447,400,981
Trade receivables - related parties (Note 18)	**75,553,612**	90,003,952
Others	**65,371,369**	103,777,943
	4,534,641,178	3,641,182,876
Less allowance for doubtful accounts	**502,989,241**	59,339,161
	₱4,031,651,937	₱3,581,843,715

Trade receivables - outside parties
Receivables from electricity sales are claims from power distribution utilities, spot market and other customers for the sale of contracted energy and spot sales transactions. These are generally on a 30-day credit term and are carried at original invoice amounts less discounts and rebates.

Receivables from coal sales are noninterest-bearing and generally have 30 - 45 days' credit terms.

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

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

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

Movements in the allowance for doubtful accounts are as follows:

	2013		
	Trade receivables - outside parties	**Other Receivables**	**Total**
At January 1	**₱53,523,802**	**₱5,815,359**	**₱59,339,161**
Provision (Note 21)	**443,650,080**	**–**	**443,650,080**
At December 31	**₱497,173,882**	**₱5,815,359**	**₱502,989,241**
Individual impairment	**₱497,173,882**	**₱5,815,359**	**₱502,989,241**
Gross amounts of individually impaired receivables	**₱497,173,882**	**₱5,815,359**	**₱502,989,241**

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

	2012		
	Trade receivables - outside parties	Other Receivables	Total
At January 1	₱53,523,802	₱15,367,488	₱68,891,290
Reversals (Note 24)	–	(9,552,129)	(9,552,129)
At December 31	₱53,523,802	₱5,815,359	₱59,339,161
Individual impairment	₱53,523,802	₱5,815,359	₱59,339,161
Gross amounts of individually impaired receivables	₱53,523,802	₱5,815,359	₱59,339,161

In 2012, the Group directly wrote-off trade receivables amounting to ₱59.36 million and recorded this as part of provision for doubtful accounts (see Note 21).

6. Inventories

This account consists of:

	2013	2012
Coal pile inventory at cost	**₱1,938,051,785**	₱2,404,009,092
Spare parts and supplies at NRV	**2,691,508,783**	3,255,580,261
	₱4,629,560,568	₱5,659,589,353

During 2013, the Group provided allowance for inventory obsolescence for nonmoving spare parts and supplies amounting to ₱4.12 million. None was recorded in 2012. As of December 31, 2013 and 2012, allowance for inventory obsolescence amounted to ₱57.41 million and ₱53.27 million, respectively. Provision for inventory obsolescence is recorded under "Materials and supplies" of cost of coal sales (see Note 20).

Coal pile inventory are stated at cost, which is lower than NRV. The cost of coal inventories recognized as cost of goods sold in the consolidated statements of comprehensive income amounted to ₱8.66 billion, ₱9.83 billion and ₱11.10 billion for each of the three years for the period ended December 31, 2013, 2012 and 2011, respectively (see Note 20).

Spare parts and supplies transferred to Construction in Progress under "Property, plant and equipment" in the consolidated statements of financial position amounted to nil and ₱0.22 billion in 2013 and 2012, respectively (see Note 8). Coal pile inventory at cost included capitalized depreciation of ₱0.12 billion and ₱0.19 billion in 2013 and 2012, respectively (see Note 8).

7. Other Current Assets

This account consists of:

	2013	2012
Advances to suppliers	**₱743,277,544**	₱1,378,306,258
Creditable withholding tax	**505,361,225**	495,459,369
Prepaid rent (Notes 11 and 31)	**4,544,839**	4,510,890
Others	**66,502,130**	57,653,561
	₱1,319,685,738	₱1,935,930,078

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

Creditable withholding tax
Creditable withholding tax pertains to the amount withheld by the Group's customers from their income payment. This will be claimed as tax credit and will be used against future income tax payable.

Others
Others include prepayments on insurance and taxes.

8. Property, Plant and Equipment

The rollforward of this account follow:

	2013						
	Land	**Mining, Tools and Other Equipment**	**Power Plant and Buildings**	**Roads and Bridges**	**Equipment in Transit and Construction in Progress**	**Mine Properties (Note 15)**	**Total**
At Cost							
At January 1	**₱376,605,100**	**₱15,029,849,283**	**₱18,285,364,211**	**₱365,683,504**	**₱5,758,633,831**	**₱–**	**₱39,816,135,929**
Additions	**206,369**	**1,107,543,469**	**166,401,954**	**–**	**7,623,590,853**	**133,188,944**	**9,030,931,589**
Transfers from Construction in Progress	**–**	**–**	**2,110,514,583**	**461,676,221**	**(2,572,190,804)**	**–**	**–**
Writedown (Note 21)	**–**	**–**	**(564,276,576)**	**–**	**–**	**–**	**(564,276,576)**
Disposals (Note 21)	**–**	**(333,349,414)**	**–**	**–**	**–**	**–**	**(333,349,414)**
At December 31	**376,811,469**	**15,804,043,338**	**19,998,004,172**	**827,359,725**	**10,810,033,880**	**133,188,944**	**47,949,441,528**
Accumulated Depreciation							
At January 1	**₱–**	**₱12,780,776,247**	**₱4,019,560,994**	**₱291,043,871**	**₱–**	**₱–**	**₱17,091,381,112**
Depreciation (Notes 20 and 21)	**–**	**1,800,290,010**	**2,210,667,602**	**8,662,091**	**–**	**–**	**4,019,619,703**
Writedown (Note 21)	**–**	**–**	**(120,927,655)**	**–**	**–**	**–**	**(120,927,655)**
Disposals (Note 21)	**–**	**(326,787,456)**	**–**	**–**	**–**	**–**	**(326,787,456)**
At December 31	**–**	**14,254,278,801**	**6,109,300,941**	**299,705,962**	**–**	**–**	**20,663,285,704**
Net Book Value	**₱376,811,469**	**₱1,549,764,537**	**₱13,888,703,231**	**₱527,653,763**	**₱10,810,033,880**	**₱133,188,944**	**₱27,286,155,824**

	2012						
	Land	Mining, Tools and Other Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	Mine Properties	Total
At Cost							
At January 1	₱376,605,100	₱14,741,953,648	₱18,454,308,321	₱365,683,504	₱2,140,165,382	₱–	₱36,078,715,955
Additions	–	1,153,680,202	14,217,004	–	3,986,206,931	–	5,154,104,137
Transfers from Construction in Progress	–	353,719,808	237,538,046	–	(591,257,854)	–	–
Transfers from inventory (Note 32)	–	–	–	–	223,519,372	–	223,519,372
Writedown (Note 21)	–	–	(420,699,160)	–	–	–	(420,699,160)
Disposals (Note 21)	–	(1,219,504,375)	–	–	–	–	(1,219,504,375)
At December 31	376,605,100	15,029,849,283	18,285,364,211	365,683,504	5,758,633,831	–	39,816,135,929
Accumulated Depreciation							
At January 1	–	11,907,508,407	3,151,492,494	282,381,779	–	–	15,341,382,680
Depreciation (Notes 20 and 21)	–	2,092,772,215	947,621,314	8,662,092	–	–	3,049,055,621
Writedown (Note 21)	–	–	(79,552,814)	–	–	–	(79,552,814)
Disposals (Note 21)	–	(1,219,504,375)	–	–	–	–	(1,219,504,375)
At December 31	–	12,780,776,247	4,019,560,994	291,043,871	–	–	17,091,381,112
Net Book Value	₱376,605,100	₱2,249,073,036	₱14,265,803,217	₱74,639,633	₱5,758,633,831	₱–	₱22,724,754,817

Equipment in transit and construction in progress accounts mostly contains purchased mining equipments that are in transit and various buildings and structures that are under construction as of December 31, 2013 and 2012. In 2013 and 2012, construction in progress includes capitalized rehabilitation costs for Units 1 and 2 of SCPC's power plant and construction of SLPGC's 2 x 150 megawatt (MW) coal-fired thermal power plant. The rehabilitation of Unit 1 of SCPC power plant was completed in January 2013 and the rehabilitation of Unit 2 of SCPC power plant is expected to be completed in the first quarter of 2014.

The capitalized borrowing cost included in the construction in progress account amounted to ₱101.38 million and ₱11.01 million on December 31, 2013 and 2012, respectively. The average capitalization rate is 3.36% and 3.50% in 2013 and 2012 (see Note 13).

Mine properties pertain to the expected decommissioning and site rehabilitation costs of Panian minesite and dismantling of mining machineries and conveyor belts at the end of its life (see Note 15).

In 2013, 2012 and 2011, the Group sold various equipment at a gain amounting to ₱0.14 million, ₱127.49 million and ₱53.55 million, respectively (see Note 24).

The Group incurred a loss from property, plant and equipment writedown due to the replacement of generation units and retirement of mining equipment amounting to ₱0.45 billion and ₱0.34 billion in 2013 and 2012, respectively (see Note 21).

The cost of fully depreciated assets that are still in use amounted to ₱11.30 billion and ₱7.59 billion as of December 31, 2013 and 2012, respectively.

As security for timely payment, discharge, observance and performance of the loan provisions, SCPC creates, establishes, and constitutes in favor of the Security Trustee, for the benefit of all secured parties, a first ranking real estate and chattel mortgage on present and future real assets and chattels owned by SCPC with carrying values of ₱14.72 billion and ₱16.46 billion as of December 31, 2013 and 2012, respectively.

The construction of SLPGC's coal-fired power plant commenced in the early part of 2012. As of December 31, 2013, the Group expects to spend ₱17.70 billion to complete the power plant in the early part of 2015.

Depreciation and amortization follow:

	2013	2012	2011
Included under:			
Inventories	**₱121,831,125**	₱188,777,615	₱398,219,957
Cost of coal sales (Note 20):			
Depreciation and amortization	**1,114,654,804**	1,322,458,941	1,299,404,980
Hauling and shiploading costs	**114,636,458**	120,679,537	208,060,216
Cost of power sales (Note 20):			
Cost of coal			
Depreciation and amortization	**470,558,388**	413,387,676	300,677,228
Hauling and shiploading costs	**23,554,054**	34,267,091	50,302,452
Depreciation	**1,015,838,969**	928,981,130	776,589,421
Operating expenses (Notes 3 and 21)	**1,162,179,465**	44,910,889	38,230,893
	₱4,023,253,263	₱3,053,462,879	₱3,071,485,147

Depreciation and amortization of:			
Property, plant and equipment	**₱4,019,619,703**	₱3,049,055,621	₱3,066,159,791
Computer software (Note 11)	**3,633,560**	4,407,258	5,325,356
	₱4,023,253,263	₱3,053,462,879	₱3,071,485,147

9. Investment in Sinking Fund

In a special meeting of the BOD of SCPC held on March 9, 2010, the BOD authorized SCPC to establish, maintain, and operate trust and investment management accounts with Banco de Oro Unibank, Inc. (BDO), - Trust and Investment Group. The Omnibus Agreement provided that the Security Trustee shall invest and reinvest the monies on deposit in Collateral Accounts (see Note 13). All investments made shall be in the name of the Security Trustee and for the benefit of the Collateral Accounts. BDO Unibank, Inc. - Trust and Investment Group made an Investment in Sinking Fund amounting ₱517.60 million and ₱508.04 million as of December 31, 2013 and 2012, respectively.

Interest from sinking fund amounted to ₱12.17 million, ₱17.21 million and ₱5.53 million in 2013, 2012 and 2011, respectively (see Note 23).

10. Exploration and Evaluation Asset

In 2013, the Parent Company incurred costs related to exploratory drilling and activities in Bobog minesite amounting to ₱348.15 million.

11. Other Noncurrent Assets and Other Noncurrent Liabilities

Other Noncurrent Assets

	2013	2012
Input VAT	**₱974,897,425**	₱180,511,524
Advances to contractors (Note 18)	**354,321,064**	826,341,454
Five percent (5%) input value-added tax (VAT) withheld - net of allowance for impairment losses of ₱25.98 million in 2013 and ₱87.52 million in 2012	**164,526,094**	102,976,730
Prepaid rent (Note 31)	**94,450,487**	98,930,629
Capitalized development costs	**37,962,843**	–
Computer software - net	**3,680,929**	2,377,767
Environmental guarantee fund	**1,500,000**	1,500,000
Others	**8,522,345**	31,905,807
	1,639,861,187	1,244,543,911
Less current portion of prepaid rent (Note 7)	**4,544,839**	4,510,890
	₱1,635,316,348	₱1,240,033,021

Input VAT
Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is applied against Output VAT. The balance is recoverable in future periods.

Advances to contractors
Advances to contractors account represent payments made in advance for the ongoing construction. The advances shall be settled through recoupment against the contractors' billings.

Five percent (5%) input VAT withheld
As a result of the enactment of RA No. 9337 effective November 1, 2005, National Power Corporation (NPC) started withholding the required 5% input VAT on the VAT exempt coal sales. On March 7, 2007, the Parent Company obtained a ruling from the Bureau of Internal Revenue (BIR) which stated that the sale of coal remains exempt from VAT. In 2007, the Parent Company filed 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 initially on December 2005 sales amounting to ₱11.85 million. The Commissioner of BIR moved for reconsideration of the CTA's Decision. On November 21, 2009, the Parent Company filed its comment thereon. On August 10, 2010, the CTA issued a Writ of Execution on its decision dated October 13, 2009 and was served to BIR on August 13, 2010.

In 2011, 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 Commissioner of BIR filed a motion for reconsideration which was denied in a Resolution executed by the CTA. The Commissioner of BIR filed for a Petition for Review with the CTA En Banc.

In 2012, CTA En Banc rendered a decision dismissing the petition for review for the lack of merit on ₱163.36 million refund.

In 2012, management has estimated that the refund will be recovered after ten (10) to fifteen (15) years. Consequently, the claim for tax refund was provided with provision for impairment losses amounting to ₱47.15 million (see Note 21).

On January 30, 2013, the Supreme Court denied the BIR Commissioner's Petition for Review. Subsequently, the latter filed a Motion for Reconsideration with the Supreme Court.
On June 19, 2013, the Supreme Court denied such petition of Motion for Consideration with finality. On September 18, 2013, Entry of Judgment was issued by the Supreme Court in GR No. 203621. On January 21, 2014, a "Notice of Resolution" was received from the Court of Tax Appeals citing that "It is appearing that the Resolution of the Supreme Court dated January 30, 2013 has already become final and executory and Entry of Judgment was already issued by the Supreme Court on September 19, 2013, herein the Parent Company is entitled as a matter of right to a writ of execution. It, therefore, becomes the ministerial duty of CTA to issue a writ of execution".

Because of the above developments, management reassessed the timeline of collection to be in 5 years (instead of 15 years). A re-estimation of the realizable value was made by the management using discounted cash flows with the assumption of collection in 5 years and discount rate of 2.91%. This resulted to a reversal of ₱61.55 million provision for impairment loss reflected as "Other income" in the consolidated statements of comprehensive income (see Note 24.)

Movements in allowance for impairment losses of the 5% input VAT withheld:

	2013	2012
At January 1	**₱87,525,052**	₱40,374,335
Provision (Note 21)	**–**	47,150,717
Reversal (Note 24)	**(61,549,364)**	–
At December 31	**₱25,975,688**	₱87,525,052

Capitalized development costs
In 2013, SCI has capitalized development expenditures amounting to ₱37.96 million. Development costs for goods, commodities, wares and merchandise including potter earthenware, stoneware, bricks, tiles, roofs and other merchandise produce from clay are recognized as an intangible asset.

Prepaid rent
Prepaid rent under other noncurrent assets pertain to the long-term portion of rent of SCPC to PSALM on December 2, 2009 for the 25 years lease of land. Long-term portion of the prepaid rent amounted to ₱89.91 million and ₱94.42 million in 2013 and 2012, respectively (see Note 31).

Computer software - net
Movements in computer software account follow:

	2013	2012
At Cost		
At January 1	**₱24,847,737**	₱23,795,671
Additions	**4,936,722**	1,052,066
At December 31	**29,784,459**	24,847,737
Accumulated Amortization		
At January 1	**22,469,970**	18,062,712
Amortization (Note 20)	**3,633,560**	4,407,258
At December 31	**26,103,530**	22,469,970
Net Book Value	**₱3,680,929**	₱2,377,767

Environmental Guarantee Fund
Environmental guarantee fund represents the funds designated to cover all costs attendant to the operation of the Multi-partite Monitoring Team of the Group's environmental unit.

Others
Others include various types of deposits and prepaid taxes which are recoverable over more than one year.

Other Noncurrent Liabilities

Other noncurrent liabilities pertain to the retention contract payment that is being withheld from the contractors as guaranty for any claims against them. As of December 31, 2013 and 2012, retention payable amounted to ₱723.35 million and ₱57.94 million, respectively.

12. Short-term Loans

Short-term loans represent various unsecured promissory notes from local banks with interest rates ranging from 1.17% to 3.00% and 1.04% to 1.18% in 2013 and 2012, respectively, and are payable within one year.

The carrying amount of these short-term loans as of December 31, 2013 and 2012 amounted to ₱1.66 billion and ₱0.18 billion, respectively.

The interest expense on these short-term loans recognized under "Finance Cost" amounted to ₱101.83 million, ₱30.14 million and ₱30.48 million in 2013, 2012 and 2011, respectively (see Note 22).

13. Long-term Debt

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

	2013	2012
Mortgage payable	**₱11,017,948,783**	₱7,404,190,124
Bank loans	**4,790,697,568**	4,775,083,552
	15,808,646,351	12,179,273,676
Less current portion of:		
Mortgage payable	**1,519,639,144**	1,514,248,417
Bank loans	**631,518,875**	3,668,712,959
	2,151,158,019	5,182,961,376
	₱13,657,488,332	₱6,996,312,300

Mortgage Payable

SLPGC

On February 4, 2012, SLPGC entered into an ₱11.50 billion Omnibus Agreement with Banco de Oro, Unibank (BDO), Bank of the Philippine Island (BPI) and China Banking Corporation (CBC) as Lenders. As security for the timely payment of the loan and prompt observance of all the provision of the Omnibus Agreement, the 67% of issued and outstanding shares of SLPGC owned by the Parent Company were pledged on this loan. The proceeds of the loan are used for the engineering, procurement and construction of 2 x 150 MW coal-fired thermal power plant.

Breakdown of the syndicated loan is as follows:

BDO	₱6,000,000,000
BPI	3,000,000,000
CBC	2,500,000,000
	₱11,500,000,000

Details of the loan follow:

a. Interest: At applicable interest rate (PDST-F + Spread or BSP Overnight Rate, whichever is higher). Such interest shall accrue from and including the first day of each interest period up to the last day of such interest period. The Facility Agent shall notify all the Lenders of any adjustment in an interest payment date at least three banking days prior to the adjusted interest payment date.

b. Repayment: The principal amount shall be paid in twenty-seven equal consecutive quarterly installments commencing on the fourteenth quarter from the initial borrowing date. Final repayment date is ten (10) years after initial borrowing.

The first drawdown was made on May 24, 2012 amounting to ₱550.00 million. While in April and November of 2013, second and third drawdowns were made which amounted to ₱2.89 billion and ₱2.26 billion, respectively. As of December 31, 2013 and 2012, amortization of debt issuance cost recognized as part of "Property, plant and equipment" account in the consolidated statements of financial position amounted to ₱2.33 million and ₱0.24 million, respectively.

Rollforward of debt issuance cost follows:

	2013	2012
At January 1	**₱2,505,839**	₱–
Additions	**25,757,187**	2,750,000
Amortization	**(2,326,784)**	(244,161)
At December 31	**₱25,936,242**	₱2,505,839

Mortgage payable by SLPGC provide certain restrictions and requirements with respect to, among others, maintain and preserve its corporate existence, comply with all of its material obligations under the project agreements, maintain at each testing date a Debt-to-Equity ratio not exceeding two times, grant loans or make advances and disposal of major property. These restrictions and requirements were complied with by SLPGC as of December 31, 2013 and 2012.

Provision in the loan indicates that the borrower shall pay to the lenders, a commitment fee equivalent to one-half (1/2%) per annum of any portion of a scheduled drawdown amount that remains undrawn after the lapse of the relevant scheduled drawdown month. As of December 31, 2013 and 2012, SLPGC has paid commitment fee amounting to ₱6.99 million and ₱2.30 million, respectively and these were recognized under the "Finance costs" account in the consolidated statements of comprehensive income.

The amount of undrawn borrowing facilities that maybe available in the future amounts to ₱5.80 billion.

SCPC

On May 20, 2010, SCPC entered into a ₱9.60 billion Omnibus Loan Security Agreement ("Agreement") with BDO, BPI and Philippine National Bank (PNB) as Lenders, the Parent Company as Guarantor, BDO Capital and Investment Corporation as Lead Arranger and Sole

Bookrunner, BPI Capital Corporation and PNB Capital and Investment Corp. as Arrangers, and BDO Unibank, Inc., Trust and Investments Group as Security Trustee, Facility Agent and Paying Agent. The loan was fully drawn by SCPC on the same date.

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

Breakdown of the syndicated loan is as follows:

BDO Unibank	₱6,000,000,000
BPI	2,000,000,000
PNB	1,600,000,000
	₱9,600,000,000

The Agreement was entered into to finance the payments made to PSALM pursuant to the APA and LLA, and ongoing plant rehabilitation and capital expenditures.

Details of the loan follow:

a. Interest: At a floating rate per annum equivalent to the three (3) months Philippine Dealing System Treasury-Fixing (PDST-F) benchmark yield for treasury securities as published on the PDEx page of Bloomberg (or such successor electronic service provider at approximately 11:30 a.m. (Manila Time) on the banking day immediately preceding the date of initial borrowing or start of each interest period, as applicable, plus a spread of 175 basis points.

b. Repayment: The principal amount shall be payable in twenty-five equal consecutive quarterly installments commencing on the twelfth month from the initial borrowing date. Final repayment date is seven (7) years after initial borrowing.

Rollforward of the deferred finance cost follows:

	2013	2012
At January 1	**₱55,304,037**	₱82,427,224
Amortization	**(21,751,583)**	(27,123,187)
At December 31	**₱33,552,454**	₱55,304,037

Amortization of debt finance cost recognized under "Finance cost" account in the consolidated statements of comprehensive income amounted to ₱21.75 million, ₱27.12 million and ₱22.42 million for the years 2013, 2012 and 2011, respectively (see Note 22).

As of December 31, 2013, there is no more available borrowing facility that can be drawn.

<u>Local Bank Loans</u>

Parent Company

Loan Type	Dates of Availment	Outstanding Balance 2013 (In Millions)	Outstanding Balance 2012 (In Millions)	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
Loan 1	Various availments in 2010, 2011 and 2013	**₱341.68**	₱947.54	Various maturities in 2012, 2013 and 2015	Floating rate payable quarterly and in arrears, to be repriced every 90 days	Interest payable quarterly and in arrears, subject to quarterly setting and principal repayable in bullet at the end of three (3) years from drawdown date	Proceeds of the loans were restricted for the purchase of mining equipment; Unsecured loan
Loan 2	July 2011	–	230.40	July 2013	Floating rate, 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 loan
Loan 3	Various availments in 2010, 2011 and 2013	**2,743.31**	2,556.86	Various maturities in 2012, 2013 2014 and 2016	Floating rate to be repriced every 90 days	Interest payable in 90 days; not deducted from proceeds of loans and principal repayable in maturity.	Proceeds of the loan will be used to finance capital expenditures and general corporate purposes Financial Covenants: Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1; compliant

(Forward)

Loan Type	Dates of Availment	Outstanding Balance 2013	2012	Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		(In Millions)					
Loan 4	Various availments in 2011 and 2013	₱1,553.83	₱1,040.28	Various maturities in 2013, 2014, 2015 and 2016	Floating rate, aggregate of the margin (1.20%) and LIBOR, to be repriced every 90 to 180 days	Interest payable in arrears for the relevant interest period and principal repayable in semi-annual installments commencing on the 12th month after the date of the Agreement until date of final maturity.	Proceeds of the loan were restricted for capital expenditure requirements and refinancing of existing debts Financial Covenants: Current Ratio not less than 1:1, Debt-Equity Ratio not exceeding 2:1, Debt-EBITDA Ratio not exceeding 3:1, compliant
Loan 5	October 2013	151.88	–	September 24, 2015	Floating rate	Interest and principal are payable on the date of maturity	Unsecured loans Current Ratio at least 1.0x; Debt-Equity Ratio at least 2.0x; compliant
		₱4,790.70	₱4,775.08				

Interest expenses on long-term debt recognized under "Finance Cost" amounted to in the consolidated statements of comprehensive income ₱256.78 million, ₱434.42 million and ₱428.64 million in 2013, 2012 and 2011, respectively (see Note 22).

As of December 31, 2013, there is no more available borrowing facility that can be drawn.

The maturities of long-term debt at nominal values as of December 31, 2013 follow:

	2013	2012
	(In Thousands)	
Due in:		
2013	**₱–**	₱5,182,555
2014	**2,146,129**	2,625,603
2015	**3,149,752**	1,545,013
2016	**5,111,266**	1,611,596
2017	**1,608,188**	848,459
2018	**841,652**	81,238
2019	**842,398**	81,299
2020	**843,144**	81,359
2021	**843,891**	81,420
2022	**422,226**	40,732
	₱15,808,646	₱12,179,274

14. Trade and Other Payables

This account consists of:

	2013	2012
Trade:		
Payable to suppliers and contractors	**₱3,256,554,439**	₱4,417,579,065
Related parties (Note 18)	**878,822,345**	709,496,525
Payable to DOE and local government units (LGU) (Note 27)	**877,947,530**	1,007,849,324
Output VAT Payable	**738,950,745**	489,766,685
Accrued expenses and other payables	**432,381,485**	188,453,616
	₱6,184,656,544	₱6,813,145,215

Trade payable to suppliers and contractors
Trade payable to contractors arises from progress billings of completed work. Trade payables to suppliers and contractors include liabilities amounting to ₱968.56 million (US$21.82 million) and ₱339.12 million (US$7.75 million and ¥44.26 million) as of December 31, 2013 and 2012, respectively, to various foreign suppliers for open account purchases of equipment and equipment parts and supplies.

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

Payable to DOE and LGU
Payable to DOE and LGU represent the share of DOE and LGU in the gross revenue of the Parent Company's coal production computed in accordance with the Coal Operating Contract (COC) between the Parent Company, DOE and LGU dated July 11, 1977 and as amended on January 16, 1981 (see Note 27).

Output VAT
Output VAT pertains to the VAT due on the sale of electricity.

Accrued expenses and other payables
Details of the accrued expenses and other payables account follow:

	2013	2012
Withholding and other taxes	**₱93,592,713**	₱57,750,472
Shipping cost	**89,536,340**	–
Interest	**63,514,926**	47,372,794
Financial benefit payable	**43,588,841**	13,590,642
Salaries and wages	**31,682,830**	11,641,106
Rental (Note 18)	**27,933,675**	15,259,799
Professional fees	**3,279,972**	8,538,640
Real property tax	**–**	12,745,030
Others	**79,252,188**	21,555,133
	₱432,381,485	₱188,453,616

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

Financial benefit payable
As mandated by the R.A. 9136 or the Electric Power Industry Reform Act (EPIRA) of 2001 and the Energy Regulations No. 1-94, issued by Department of Energy (DOE), the BOD authorized the Group on June 10, 2010 to enter and execute a Memorandum of Agreement with the DOE relative to or in connection with the establishment of Trust Accounts for the financial benefits to the host communities equal to ₱0.01 per kilowatt hour generated.

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

15. Provision for Decommissioning and Site Rehabilitation

	2013	2012
At January 1	**₱62,448,101**	₱47,582,228
Additions (Note 8)	**133,188,944**	5,265,925
Accretion of interest (Note 22)	**867,006**	9,599,948
At December 31	**₱196,504,051**	₱62,448,101

Discount rates used by the Group to compute for the present value of liability for decommissioning and site rehabilitation cost are from 5.79% to 8.77% in 2012 and 3.63% to 4.63% in 2013.

Additions pertain to the effects of changes in estimates as to the extent and costs of rehabilitation activities, cost increases and changes in discount rates based on relative prevailing market rates.

16. Capital Stock

The details of the Parent Company's capital stock as of December 31, 2013 and 2012 are as follows:

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

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

As of December 31, 2013, the Parent Company has 356.25 million common shares issued and outstanding which were owned by 663 shareholders.

Capital Stock
The Parent Company's track record of capital stock is as follows:

	Number of shares registered	Issue/offer price	Date of approval	Number of holders as of year - end
At January 1, 2001	1,630,970,000	₱1/share		
Add (deduct):				
Additional issuance	19,657,388	₱1/share	July 2, 2004	
Conversion of preferred shares to common shares	225,532	₱1/share	July 2, 2004	
Decrease in issued and outstanding common shares from capital restructuring	(1,625,852,920)			
Share dividends	225,000,000	₱1/share	July 2, 2004	
Public offering additional issuance	46,875,000	₱36/share	February 4, 2005	
December 31, 2010	296,875,000			632
Add: Share rights offering	59,375,000	₱74/share	June 10, 2010	7

(Forward)

	Number of shares registered	Issue/offer price	Date of approval	Number of holders as of year - end
December 31, 2011	356,250,000			639
Add: Movement	–			24
December 31, 2012	356,250,000			663
Add: Movement	–			–
December 31, 2013	356,250,000			663

Share Rights Offering
On June 10, 2010, the Parent Company offered for subscription 59.38 million Rights Shares to eligible existing common shareholders at the Offer Price of ₱74.00 per share. The Rights Shares were issued from the Parent Company's authorized but unissued shares of 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 share rights offering amounted to about ₱4.39 billion. The amount representing excess of offer price over the par value of the share offering amounting to about ₱4.33 billion was credited to additional paid-in capital for the year ended December 31, 2010.

Deposit on Future Stock Subscriptions
On December 1, 2009, DMCI-HI and Dacon Corporation (Dacon) advanced deposits on future stock subscriptions which aggregated to ₱5.40 billion. These advances were used in the reissuance of treasury shares on April 8, 2010 and share rights offering on June 10, 2010.

Shares Held in Treasury
The number of shares held in treasury is 19.30 million amounting to ₱528.89 million as of December 31, 2009. On April 8, 2010, the Parent Company reissued all of its treasury shares to Dacon at ₱67.00 per share or a total of ₱1.29 billion. 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.

On July 7, 2005, the BOD approved the buyback of the Parent Company's 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.

17. Retained Earnings

Retained earnings amounting to ₱13.10 billion and ₱9.86 billion as of December 31, 2013 and 2012, respectively, include the accumulated equity in undistributed net earnings of subsidiaries. The amounts are not available for dividends until declared by the subsidiaries.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2013 amounted to ₱5.10 billion.

Cash Dividends
On April 30, 2013, the BOD authorized the Parent Company to declare and distribute cash dividends of ₱12.00 per share or ₱4.28 billion to stockholders of record as of May 17, 2013. The said cash dividends were paid on May 29, 2013.

On April 30, 2012, the BOD authorized the Parent Company to declare and distribute cash dividends of ₱12.00 per share or ₱4.28 billion to stockholders of record as of May 29, 2012. The said cash dividends were paid on June 25, 2012.

On April 27, 2011, the BOD authorized the Parent Company to declare and distribute cash dividends of ₱10.00 per share or ₱3.56 billion to stockholders of record as of May 27, 2011. The said cash dividends were paid on June 22, 2011.

Appropriations
On August 8, 2013, the BOD approved the appropriation of ₱1.60 billion from the unappropriated retained earnings as of December 31, 2012, as additional capital expenditure and investment in power expansion projects of the Parent Company. This appropriation is intended for the ongoing construction of 2 X 150 MW coal-fired power plant in Calaca, Batangas owned by SLPGC (a wholly subsidiary of the Parent Company). The project is expected to be completed on the first quarter of 2015.

On March 12, 2013, the BOD ratified the remaining ₱700.00 million appropriation to partially cover new capital expenditures for the Group's mine operation for the years 2013 to 2015.

18. Related Party Transactions

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

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

	2013			
	Amount/ Volume	Receivable (Payable)	Terms	Conditions
Trade receivables (see Note 5)				
Entities under common control				
a.) Transfer of materials and reimbursement of shared expenses	₱2,218,766	₱66,138,357	non-interest bearing, due and demandable	Unsecured, no impairment
b.) Reimbursements of shared expenses	30,000	8,717,043	non-interest bearing, due and demandable	Unsecured, no impairment
c.) Reimbursements of expenses	698,212	698,212	non-interest bearing, due and demandable	Unsecured, no impairment
	₱2,946,978	₱75,553,612		
Advances to contractors - noncurrent (see Note 11)				
Entities under common control				
d.) Construction and outside services	₱485,323,247	₱354,321,064	non-interest bearing, recoupment	Unsecured, no impairment
	₱485,323,247	₱354,321,064		

(Forward)

	2013			
	Amount/ Volume	**Receivable (Payable)**	**Terms**	**Conditions**
Trade payables (see Note 14)				
Entities under common control				
d.) Construction and other outside services	**₱4,081,677,695**	**(₱852,473,055)**	**30 days, non-interest bearing**	**Unsecured**
e.) Mine exploration and hauling services	**554,092,099**	**(20,138,858)**	**30 days, non-interest bearing**	**Unsecured**
f.) Purchases of office supplies and refreshments	**5,659,359**	**(2,726,026)**	**30 days, non-interest bearing**	**Unsecured**
g.) Office, parking and warehouse rental expenses	**7,380,000**	**(1,944,397)**	**30 days, non-interest bearing**	**Unsecured**
h.) Aviation services	**6,890,000**	**(1,540,009)**	**30 days, non-interest bearing**	**Unsecured**
	₱4,655,699,153	**(₱878,822,345)**		
Other noncurrent liabilities (see Note 11)				
Entities under common control				
d.) Retention payable	**₱2,979,130,602**	**(₱487,676,475)**	**non-interest bearing**	**Unsecured**
	₱2,979,130,602	**(₱487,676,475)**		

	2012			
	Amount/ Volume	Receivable (Payable)	Terms	Conditions
Trade receivables (see Note 5)				
Entities under common control				
a.) Transfer of materials and reimbursement of shared expenses	₱8,130,000	₱81,240,459	non-interest bearing, due and demandable	Unsecured, no impairment
b.) Reimbursements of shared expenses	190,000	8,763,493	non-interest bearing, due and demandable	Unsecured, no impairment
c.) Reimbursements of expenses	–	–	non-interest bearing, due and demandable	Unsecured, no impairment
	₱8,320,000	₱90,003,952		
Advances to contractors - noncurrent (see Note 11)				
Entities under common control				
d.) Construction and outside services	₱913,249,885	₱826,341,454	non-interest bearing, recoupment	Unsecured, no impairment
	₱913,249,885	₱826,341,454		
Trade payables (see Note 14)				
Entities under common control				
d.) Construction and other outside services	₱4,549,776,595	(₱653,025,154)	30 days, non-interest bearing	Unsecured
e.) Mine exploration and hauling services	361,132,979	(41,205,122)	30 days, non-interest bearing	Unsecured
f.) Purchases of office supplies and refreshments	3,268,946	(13,036,733)	30 days, non-interest bearing	Unsecured
g.) Office, parking and warehouse rental expenses	7,510,000	(1,778,402)	30 days, non-interest bearing	Unsecured
h.) Aviation services	2,630,000	(451,114)	30 days, non-interest bearing	Unsecured
	₱4,924,318,520	(₱709,496,525)		
Other noncurrent liabilities (see Note 11)				
Entities under common control				
d.) Retention payable	₱2,544,550,350	(₱57,938,954)	non-interest bearing	Unsecured
	₱2,544,550,350	(₱57,938,954)		

a. Due from DMCI Power Corporation (DMCI-PC) pertains to materials issuances, contracted services and various services provided by the Parent Company. All outstanding balances from DMCI-PC are included in receivables under "Trade receivable - related parties" in the consolidated statements of financial position.

   SCPC engaged DMCI-PC for the management, operation and maintenance of the power plant. The agreement was entered into in 2011 and is effective for a period of 10 years from January 1, 2011 and maybe renewed for another 10 years.

b. Due from DMCI Mining Corporation (DMCI-MC) pertains to the contracted services incurred by DMCI-MC during the year, which are initially paid by the Parent Company. All outstanding balance from DMCI-MC is included in receivables under "Trade receivable - related parties" in the consolidated statements of financial position.

c. Due from DMCI Masbate Power Corporation (DMCI-MPC) pertains to the security contracted services incurred during the year, which are initially paid by the Parent Company. The outstanding balance from DMCI-MPC is included in receivables under "Trade receivable - related parties" in the consolidated statements of financial position.

d. Dacon Corporation, a shareholder of DMCI-HI, provided maintenance of the Parent Company's accounting system, Navision, to which related expenses are included in operating expenses under "Office expenses" in the consolidated statements of comprehensive income (see Note 21).

   All outstanding balances to Dacon Corporation are included in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position.

   D.M. Consunji, Inc. (DMCI) had transactions with the Parent Company representing rentals of office, building and equipments and other transactions such as transfer of equipment, hauling and retrofitting services. The related expenses are included in cost of sales under "Outside services" in the consolidated statements of comprehensive income (see Note 20).

   The Parent Company engaged the services of DMCI for the construction of its 1 x 15 MW Power Plant located at Semirara Island, to which the related cost are capitalized as part of property, plant and equipment in the consolidated statements of financial position. The Parent Company also engaged the service of DMCI for the construction of various projects in compliance with its Corporate Social Responsibility (CSR) such as the mine rehabilitation, construction of covered tennis courts, track and field, perimeter fence and others to which related expenses are included in cost of sales "Outside services" in the consolidated statements of comprehensive income (see Note 20). All outstanding balances to DMCI are lodged in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position.

   SCPC engaged DMCI in the ongoing rehabilitation of the power plant. Cost of construction services provided by DMCI is capitalized as part of property, plant and equipment "Equipment in transit and construction in progress" account and outstanding balance are included in the "Trade payable - related parties" account.

   SCPC also engaged DMCI for transfer of equipment and hauling services. The said rentals are included in the operating expenses of the consolidated statements of comprehensive income.

SLPGC engaged DMCI in the construction of the 2 x 150 MW coal-fired power plant. Advance payments for construction and retention payable are recorded under "Advances to contractors" and "Other noncurrent liabilities", respectively. Outstanding balances to DMCI are included under "Trade payable - related parties" account.

e. DMC-Construction Equipment Resources, Inc. (DMC-CERI) had transactions with the Parent Company for services rendered relating to the Parent Company's coal operations. These include services for the confirmatory drilling for coal reserve and evaluation of identified potential areas, exploratory drilling of other minerals within Semirara Island, dewatering well drilling along cut-off wall of Panian mine and fresh water well drilling for industrial and domestic supply under an agreement. Expenses incurred for said services are included in cost of sales under "Outside services" in the consolidated statements of comprehensive income (see Note 20).

   DMC-CERI also provides the Parent Company marine vessels for use in the delivery of coal to its various customers. The coal freight billing is on a per metric ton basis plus demurrage charges for delays in loading and unloading of coal cargoes. Expenses incurred for these services are included in cost of sales under "Hauling and shiploading costs" in the consolidated statements of comprehensive income (see Note 20).

   Furthermore, DMC-CERI provides the Parent Company labor services relating to coal operations including those services rendered by consultants. Expenses incurred for said services are included in cost of sales under "Direct labor" in the consolidated statements of comprehensive income (see Note 20).

   Labor costs related to manpower services rendered by DMC-CERI represent actual salaries and wages covered by the period when the services were rendered to Parent Company in its coal operations. Under existing arrangements, payments of said salaries and wages are given directly to personnel concerned.

   All outstanding balances to DMC-CERI are included in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position.

f. Prominent Fruits, Inc. supplies various office supplies and refreshments to the Parent Company. The outstanding balance to Prominent Fruits, Inc. is lodged in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position.

   M&S Company, Inc. (M&S) supplies various supplies and materials to the Parent Company. Outstanding balance is included in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position.

g. Asia Industries Inc. had transactions with the Parent Company for the rental of parking space to which related expenses are included in operating expenses under "Office expenses" in the consolidated statements of comprehensive income (see Note 21). The outstanding balance to Asia Industries, Inc. is lodged in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position.

   DMC Urban Property Developers, Inc. (DMC-UPDI) had transactions with the Parent Company representing long-term lease on office space and other transactions rendered to the Parent Company necessary for the coal operations. Office rental expenses are included in cost of sales under "Outside services" in the consolidated statements of comprehensive income

(see Note 20). The outstanding balance to DMC-UPDI is lodged in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position.

h. Royal Star Aviation Inc. transports the Parent Company's visitors and employees from Manila to Semirara Island and vice versa and bills the related party for the utilization costs of the aircrafts. The related expenses are included in cost of sales under "Production overhead" in the consolidated statements of comprehensive income (see Note 20). The outstanding balance to Royal Star Aviation, Inc. is lodged in trade and other payables under "Trade payable - related parties" in the consolidated statements of financial position.

Terms and conditions of transactions with related parties
There have been no guarantees and collaterals provided or received for any related party receivables or payables. These accounts are noninterest-bearing and are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. As of December 31, 2013 and 2012, there were no impairment losses recognized on related party balances.

Compensation of key management personnel of the Group by benefit type follows:

	2013	2012	2011
Short-term employee benefits	**₱127,093,393**	₱108,719,349	₱93,866,643
Post-employment benefits	**4,018,829**	3,434,897	2,346,104
	₱131,112,222	₱112,154,246	₱96,212,747

There are no other agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plan.

19. Pension Plan

The Group has a funded, noncontributory defined benefit plan covering substantially all of its regular employees. The date of the latest actuarial valuation is December 31, 2013.

The Group accrues retirement costs (included in "Pension Liabilities" in the Group's consolidated statements of financial position) based on an actuarially determined amount using the projected unit credit method.

The funds are administered by a trustee bank under the supervision of the Board of Directors of the plan. The Board of Directors is responsible for the investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of the significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plan's objectives, benefit obligation and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The Board of Directors delegates the implementation of the investment policy in accordance with the investment strategy as well as various principles and objectives to an Investment Committee, which also consists of members of the Board of Directors, Vice-President for Treasury and Chief Finance Officer. The Vice-President for Treasury and Chief Finance Officer oversee the entire investment process.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Provisions for pension liabilities are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary.

There are no plan amendments, curtailments or settlements.

The cost of defined benefit pension plans and the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension liabilities for the defined benefit plan are shown below:

	2013	2012	2011
Discount rate	**4.26% - 5.07%**	4.69%	6.75%
Salary increase rate	**3.00%**	3.00%	3.00%

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

	2013	2012 (As restated)	2011 (As restated)
Current service cost	**₱18,225,767**	₱7,778,179	₱5,597,830
Interest expense related to the defined benefit liability	**4,722,795**	4,371,758	4,405,686
Interest income related to plan assets	**(3,008,719)**	(3,863,820)	(3,473,150)
	₱19,939,843	₱8,286,117	₱6,530,366

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

The following tables provide analyses of the movement in the net asset (liability) recognized on consolidated statements of financial position:

	December 31		January 1
	2013	2012 (As restated)	2012 (As restated)
Defined benefit liability at beginning of year	**₱100,699,245**	₱64,766,789	₱54,391,181
Current service cost	**18,225,767**	7,778,179	5,597,830
Interest expense	**4,722,795**	4,371,758	4,405,686
Remeasurement of defined benefit liability:			
Arising from changes in financial assumptions	**(1,300,506)**	3,592,053	2,711,835
Experience gains (losses)	**(11,453,532)**	23,625,344	(2,339,743)
Benefits paid	**(6,857,636)**	(3,434,878)	–
Defined benefit liability at end of year	**₱104,036,133**	₱100,699,245	₱64,766,789

	December 31		January 1
	2013	2012 (As restated)	2012 (As restated)
Fair value of plan assets at beginning of year	**₱64,151,770**	₱57,994,669	₱28,646,138
Return on plan assets (excluding amounts included in interest income)	**5,230,282**	3,799,071	(2,589,145)
Interest income	**3,008,719**	3,863,820	3,473,150
Employer contributions	–	–	28,464,526
Benefits paid	–	(1,505,790)	–
Fair value of plan assets at end of year	**₱72,390,771**	₱64,151,770	₱57,994,669

	December 31		January 1
	2013	2012 (As restated)	2012 (As restated)
Net pension liability at beginning of year	**₱36,547,475**	₱6,772,120	₱25,745,043
Net periodic pension cost	**19,939,843**	8,286,117	6,530,366
Amounts recognized in other comprehensive income	**(17,984,320)**	23,418,326	2,961,237
Employer contributions	–	–	(28,464,526)
Benefit payments	**(6,857,636)**	(1,929,088)	–
Net pension liability at end of year	**₱31,645,362**	₱36,547,475	₱6,772,120

The Group does not expect any contribution into the pension fund in 2014.

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

	December 31		January 1
	2013	2012 (As restated)	2012 (As restated)
Cash and cash equivalents	**₱8,067,400**	₱880,539	₱1,297,706
Equity instruments			
Financial institutions	–	1,552,500	1,575,000
Debt instruments			
Government securities	**56,597,922**	52,542,707	46,218,086
Not rated debt securities	**6,664,858**	8,106,243	7,882,707
Interest receivable	**1,060,591**	1,069,781	1,021,170
Fair value of plan assets	**₱72,390,771**	₱64,151,770	₱57,994,669

Trust fee in 2013 and 2012 amounted to ₱35,878 and ₱32,220, respectively.

The composition of the fair value of the Fund includes:

Investment in debt securities - government securities - include investment in Philippine Retail Treasury Bonds and Fixed Rate Treasury Notes

Investments in debt securities - not rated - include investment in long-term debt notes and retail bonds

Cash and cash equivalents - include savings and time deposit with affiliated bank and special deposit account with Bangko Sentral ng Pilipinas

Investment in equity securities - includes investment in common and preferred shares traded in the Philippine Stock Exchange

Interest receivables - pertain to interest and dividends receivable on the investments in the fund

The management performs a study of how to match its existing assets versus the pension liabilities to be settled. The overall investment policy and strategy of the Group's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plan. The Group's current strategic investment strategy consists of 88% of debt instruments, 11% cash and 1% others.

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

	Increase (Decrease)	Effect on Defined Benefit Liability
Discount rates	+0.5% to 1%	(₱2,711,720)
	-0.5% to 1%	3,182,044
Future salary increases	+1%	3,890,344
	-1%	(3,566,847)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2013	2012
Less than 1 year	**₱26,914,286**	₱3,434,897
More than 1 year to 5 years	**19,898,958**	43,940,115
More than 5 years to 10 years	**62,951,470**	65,824,599
	₱109,764,714	₱113,199,611

The Group has no other transactions with the fund.

20. Cost of Sales

Cost of coal sales consists of:

	2013	2012	2011
Materials and supplies (Note 18)	**₱3,025,232,354**	₱3,120,735,226	₱4,121,638,177
Fuel and lubricants	**2,453,660,298**	3,043,331,610	3,257,328,929
Depreciation and amortization (Notes 8 and 11)	**1,114,654,804**	1,322,458,941	1,299,404,980
Outside services (Note 18)	**739,853,180**	966,478,901	842,386,090
Direct labor (Note 18)	**502,288,609**	450,134,214	419,722,649
Hauling and shiploading costs (Note 18)	**456,329,361**	547,620,380	802,772,100
Production overhead (Note 18)	**372,852,892**	374,395,481	357,901,033
	₱8,664,871,498	₱9,825,154,753	₱11,101,153,958

Cost of power sales consists of:

	2013	2012	2011
Coal	**₱3,761,855,398**	₱3,304,807,016	₱2,883,154,698
Depreciation (Note 8)	**1,015,838,969**	928,981,130	776,589,421
Bunker	**230,027,758**	238,254,696	234,071,851
Spot purchases	**229,196,883**	130,367,456	1,500,978,204
Diesel	**79,255,223**	115,632,253	113,440,407
Market fees	**54,891,500**	24,796,252	22,015,982
Lube	**42,361,584**	25,721,138	22,661,500
Imported coal	**22,785,241**	44,523,109	–
Coal handling expense	**3,868,304**	864,921	2,107,676
Others	**5,543,770**	4,838,132	4,445,765
	₱5,445,624,630	₱4,818,786,103	₱5,559,465,504

In 2013, 2012 and 2011, SCPC purchased power from the spot market in the amount of ₱0.23 billion, ₱0.13 billion and ₱1.50 billion, respectively.

The cost of depreciation that was charged to cost of coal and cost of power amounted to ₱1.11 billion and ₱1.02 billion, respectively, in 2013, ₱1.32 billion and ₱0.93 billion, respectively, in 2012, ₱1.30 billion and ₱0.78 billion, respectively, in 2011 (see Note 8).

The cost of coal on power sales consists of:

	2013	2012	2011
Materials and supplies (Note 18)	**₱1,240,351,874**	₱1,089,654,743	₱1,081,921,445
Fuel and lubricants	**1,151,390,027**	1,011,501,357	857,934,671
Depreciation and amortization (Notes 8 and 11)	**470,558,388**	413,387,676	300,677,228
Outside services (Note 18)	**350,983,612**	308,340,694	193,919,023
Hauling and shiploading costs	**244,635,094**	214,913,039	247,783,329
Direct labor (Note 18)	**165,560,645**	145,445,777	109,113,311
Production overhead (Note 18)	**138,375,758**	121,563,730	91,805,691
	₱3,761,855,398	₱3,304,807,016	₱2,883,154,698

21. Operating Expenses

	2013	2012 (As restated)	2011 (As restated)
Government share (Note 27)	**₱1,304,961,185**	₱1,557,950,322	₱1,479,972,809
Depreciation (Note 8)	**1,162,179,465**	44,910,889	38,230,893
Repairs and maintenance	**648,067,215**	148,671,287	52,485,703
Loss on disposal and writedown of property, plant and equipment (Note 8)	**449,910,879**	341,146,346	–
Provision for doubtful accounts (Note 5)	**443,650,080**	59,360,961	5,004,512
Operation and maintenance (Note 18)	**379,359,691**	437,180,259	500,743,201
Taxes and licenses	**230,472,304**	237,515,006	334,393,508
Personnel costs (Notes 18 and 19)	**204,402,527**	133,222,394	193,593,533
Office expenses (Note 18)	**104,302,257**	75,703,636	62,589,739
Insurance and bonds	**59,270,251**	56,282,680	61,394,404

(Forward)

	2013	2012 (As restated)	2011 (As restated)
Professional fees	**₱42,424,740**	₱46,893,228	₱29,987,831
Marketing	**40,214,509**	81,102,894	36,359,343
Entertainment, amusement and recreation	**23,676,815**	35,484,183	16,542,752
Transportation and travel	**21,248,174**	15,885,235	34,221,417
Provision for impairment losses (Note 11)	**–**	47,150,717	–
Others	**150,377,541**	79,915,264	10,738,564
	₱5,264,517,633	₱3,398,375,301	₱2,856,258,209

Others pertain to various expenses such as advertising and utilities.

22. Finance Costs

	2013	2012	2011
Interest on:			
Long-term debt (Note 13)	**₱256,780,451**	₱434,421,267	₱428,635,398
Amortization of debt issuance cost (Note 13)	**21,751,583**	27,123,187	22,415,490
Short-term loans (Note 12)	**101,830,303**	30,135,631	30,478,806
Accretion of cost of decommissioning and site rehabilitation (Note 15)	**867,006**	9,599,948	1,758,087
	₱381,229,343	₱501,280,033	₱483,287,781

23. Finance Income

	2013	2012	2011
Interest on:			
Cash in banks (Note 4)	**₱7,103,842**	₱14,611,540	₱14,959,769
Cash equivalents and temporary investments (Note 4)	**6,667,777**	49,090,080	108,389,881
Investment in sinking fund (Note 9)	**12,173,043**	17,214,589	5,525,696
Accretion on security deposits (Note 31)	**–**	–	168,856
Others	**859,904**	1,228,108	5,832,479
	₱26,804,566	₱82,144,317	₱134,876,681

24. Other Income

	2013	2012	2011
Reversal of allowance for impairment losses (Note 11)	**₱61,549,364**	₱–	₱–
Recoveries from insurance claims	**10,632,170**	41,545,855	35,179,622
Gain on sale of equipment (Note 8)	**135,073**	127,491,090	53,547,507
Reversal of allowance for doubtful accounts (Note 5)	**–**	9,552,129	7,892,343
Miscellaneous	**208,892,151**	139,859,194	3,285,825
	₱281,208,758	₱318,448,268	₱99,905,297

Recoveries from insurance claims

Recoveries from insurance claims pertain to the amount reimbursable from insurer on insured equipment.

Miscellaneous
Miscellaneous income includes revenue derived from sale of fly ashes, by-product of coal combustion, and from selling excess electricity produced by the Group to the neighboring communities.

25. Income Tax

The provision for income tax consists of:

	2013	2012 (As restated)	2011 (As restated)
Current	**₱11,708,917**	₱8,733,128	₱1,749,743
Final	**5,074,275**	15,412,170	21,011,803
Deferred	**(134,621,496)**	15,458,968	(44,656,060)
	(₱117,838,304)	₱39,604,266	(₱21,894,514)

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

	2013	2012 (As restated)	2011 (As restated)
Statutory income tax rate	**30.00%**	30.00%	30.00%
Adjustments for:			
Nondeductible expense	**0.07**	0.03	0.16
Nondeductible interest expense	**0.03**	0.08	0.19
Movement in unrecognized deferred tax assets	**0.90**	0.52	0.26
Interest income already subjected to final tax at a lower rate - net of nondeductible interest expense	**(0.03)**	(0.14)	(0.29)
Tax-exempt income	**(33.81)**	(29.97)	(30.68)
Movement in unrecognized deferred tax liabilities	**1.25**	–	–
Derecognized deferred tax assets	–	0.10	–
Effective income tax rate	**(1.59%)**	0.62%	(0.36%)

The components of net deferred tax assets as of December 31, 2013 and 2012 follow:

	2013	2012
Unrealized foreign exchange loss	**₱91,779,812**	₱–
Allowance for inventory obsolescence	**17,222,137**	–
Pension liabilities	**10,943,912**	9,210,105
Allowance for doubtful accounts	**10,667,586**	–
Allowance for impairment losses	**7,792,706**	–
Provision for decommissioning and site rehabilitation	**1,518,675**	1,518,675
NOLCO	**32,524**	19,363
	₱139,957,352	₱10,748,143

In 2013 and 2012, the Group has 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:

	2013	2012
Allowance for doubtful accounts	**₱467,430,619**	₱118,700,123
Allowance for impairment losses	–	87,525,052
Allowance for inventory obsolescence	–	53,286,925
Provision for decommissioning and site rehabilitation	–	51,738,030
NOLCO	**72,444,443**	23,920,970
Pension liability	–	29,738,312
Organizational costs	–	20,170
	₱539,875,062	₱364,929,582

The breakdown of the Group's NOLCO as of December 31, 2013 follows:

Year incurred	Amount	Utilized	Balance	Year of Expiration
2013	₱48,523,473	₱–	₱48,523,473	2016
2012	23,890,970	–	23,890,970	2015
2011	30,000	–	30,000	2014
	₱72,444,443	₱–	₱72,444,443	

The above NOLCO pertains to SLPGC.

Board of Investments (BOI) Incentives

Parent Company

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

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

   The Parent Company shall initially be granted a four (4) year - ITH. The additional two (2) year ITH shall be granted upon submission of completed or on-going projects in compliance with its Corporate Social Responsibility (CSR), which shall be submitted before the lapse of its initial four (4) year - ITH. The Parent Company's ITH of 6 years is expected to lapse in September 2014. The Parent Company has a pending application with BOI for another extension, the period of which is still to be determined.

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

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

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

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

The Parent Company availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱1.48 billion, ₱1.47 billion and ₱1.35 billion in 2013, 2012 and 2011, respectively.

SCPC

On April 19, 2010, SCPC was registered with the BOI as New Operator of the 600-MW Calaca Coal-Fired Power Plant on a Non-Pioneer Status in accordance with the provisions of the Omnibus Investments Code of 1987. Pursuant thereto, SCPC shall be entitled to the following incentives, among others:

a. SCPC shall enjoy income tax holiday for four (4) years from April 2011 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. Other incentive s with no specific number of years of entitlement maybe enjoyed for a maximum period of ten (10) years from the start of commercial operation and/or date of registration. The ITH incentives shall be limited to the revenue generated from the sales of electricity of the 600 MW Batangas Coal-Fired Power Plant.

b. For the first five (5) years from the date of registration, SCPC shall be allowed an additional deduction from taxable income of 50% of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the BOI of $10,000 to one worker and provided that this incentive shall not be availed of simultaneously with the ITH.

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

d. Importation of consigned equipment for a period of ten (10) years from the date of registration, subject to the posting of re-export bond.

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

On December 17, 2013, BOI approved SCPC's request for the extension for one (1) year of the ITH for the period January 1 to December 31, 2014.

SCPC availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱5.02 billion and ₱2.53 billion in 2013 and 2012, respectively.

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

a. ITH for four (4) years from January 2015 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration;

b. For the first five (5) years from date of registration, the enterprise shall be allowed an additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availments as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board and provided that this incentive shall not be availed of simultaneously with the ITH;

c. Importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond;

d. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; and

e. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

26. Basic/Diluted Earnings Per Share

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

	2013	2012 (As restated)	2011 (As restated)
Net income	**₱7,519,591,282**	₱6,358,640,007	₱6,031,777,710
Divided by the weighted average number of common shares outstanding	**356,250,000**	356,250,000	356,250,000
Basic/diluted earnings per share	**₱21.11**	₱17.85	₱16.93

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorization of these financial statements.

27. Coal Operating Contract with DOE

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

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

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

On April 29, 2013, the DOE issued a new COC to the Parent Company, which grants the Parent Company the exclusive right to conduct exploration, development and coal mining operations in the municipality of Bulalacao, province of Oriental Mindoro, up to a maximum of 36 years from its effective date. The COC covers two coal-bearing parcels of land covering areas of 2,000 and 5,000 hectares, respectively.

On June 7, 2013, the DOE issued a new COC to the Parent Company, which grants the Parent Company the exclusive right to conduct exploration, development and coal mining operations in the municipalities of Maitum and Kiamba, province of Sarangani, up to a maximum of 36 years from its effective date. The COC covers a coal-bearing parcel of land covering area of 5,000 hectares.

In return for the mining rights granted to the Parent Company, the Government is entitled to receive annual royalty payments consisting of the balance of the gross income after deducting operating expenses, operator's fee and special allowance. The Parent Company's provision for DOE's share under this contract and to the different LGU in the province of Antique, under the provisions of the Local Government Code of 1991, amounted to ₱1.30 billion, ₱1.56 billion and ₱1.48 billion in 2013, 2012 and 2011, respectively, included under "Operating expenses" in the consolidated statements of comprehensive income (see Note 21). The liabilities, amounting to ₱0.88 billion and ₱1.01 billion as of December 31, 2013 and 2012 are included under the "Trade and other payables" account in the consolidated statements of financial position (see Note 14).

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

28. Contingencies and Commitments

a. Provision for Billing Disputes

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

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

SCPC has likewise sought to recover interest on the withheld MERALCO payments collected by PSALM that is unpaid to SCPC as of due date, to be charged at the rate of 11% computed from the date of the SCPC's extrajudicial demand until full payment by PSALM.

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

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

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

On April 24, 2012, SCPC and PSALM each filed their Compliance submitting the reconciled computations of the over-nominations and other MERALCO payments withheld by PSALM, as agreed upon by the parties, in the principal amount of ₱476 million.

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

On December 18, 2013, PSALM field its Comment to SCPC's Motion for Issuance of Writ of Execution essentially arguing that the Commission on Audit must first verify and confirm, through the proper proceeding, the claim against PSALM before PSALM can remit the Principal Amount pursuant to the ERC's judgment.

As of December 31, 2013, decision of Supreme Court regarding the case is still pending resolution.

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

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

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

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

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

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

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

PSALM's Petition has not yet been resolved as of December 31, 2013.

b. Operating Lease Commitment - as a Lessee

As discussed in Notes 7 and 10, SCPC entered into a LLA with PSALM for the lease of land with which the plant is situated, for the period of 25 years, renewable for another 25 years with the mutual agreement of both parties. In 2009, SCPC paid US$3.19 million or its peso equivalent ₱150.57 million as advance rental for the 25-year land lease.

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

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

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

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

On July 12, 2010, PSALM issued an Option Existence Notice and granted SCPC the "Option" to purchase parcels of land (Optioned Assets) that form part of the leased premises. SCPC availed of the "Option" and paid the Option Price amounting to US$0.32 million (₱14.72 million) exercisable within one year from the issuance of the Option Existence Notice (see Note 7).

On April 28, 2011, SCPC sent a letter to PSALM requesting for the assignment of the option to purchase a lot with an area of 82,740 sqm in favor of its Parent Company. On May 5, 2011, PSALM approved the assignment. On June 1, 2011, SCPC exercised the land lease option at a purchase price of ₱292.62 million and is included as part of "Property, plant and equipment" (see Note 8).

On October 12, 2011, SCPC reiterated its proposal to purchase the remainder of the Leased Premises not identified as Optioned Assets. One of the salient features of the proposal included the execution of Contract to Sell (CTS) between SCPC and PSALM.

On February 13, 2012, PSALM held off the approval of the proposal to purchase the portion of Calaca Leased Premises not identified as Optioned Assets, subject to further studies. On the same date, PSALM Board has approved SCPC's request to sub-lease a portion of the Calaca Leased Premises to SLPGC for the purpose of constructing and operating a power plant.

On February 24, 2012, SCPC sent a letter to PSALM for its proposal to handle the titling of Calaca Land.

As of the December 31, 2013, PSALM is pending for any response in connection therewith.

Provision for probable legal claims
The Group is contingently liable with respect to certain other lawsuits and other claims which are being contested by management, the outcome of which are not presently determinable. Management believes that the final resolution of these claims will not have a material effect on the consolidated financial statements.

The information usually required by PAS 37, *Provision, Contingent Liabilities and Contingent Assets* is not disclosed as it will prejudice the outcome of the lawsuits and claims.

29. Financial Risk Management Objectives and Policies

The Group has various financial assets such as cash and cash equivalents, receivables, investment in sinking fund and environmental guarantee fund, which arise directly from operations.

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

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

The sensitivity analyses have been prepared on the following basis:

- Price risk - movement in one-year historical coal prices
- Interest rate risk - market interest rate on loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2013 and 2012.

Price risk

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

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

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

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

Below are the details of the Group's coal sales to the domestic market and to the export market (as a percentage of total coal sales volume):

	2013	2012
Domestic market	**55.43%**	55.83%
Export market	**44.57**	44.17

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of December 31, 2013 and 2012 with all other variables held constant. The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on 1-year historical price movements in 2013 and 2012.

	Effect on income before income tax	
Change in coal price	**2013**	2012
Based on ending coal inventory		
Increase by 42% in 2013 and 30% in 2012	**₱1,022,494,329**	₱1,053,008,837
Decrease by 42% in 2013 and 30% in 2012	**(1,022,494,329)**	(1,053,008,837)
Based on coal sales volume		
Increase by 42% in 2013 and 30% in 2012	**5,643,685,176**	4,335,046,600
Decrease by 42% in 2013 and 30% in 2012	**(5,643,685,176)**	(4,335,046,600)

Interest rate risk

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

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

	2013						
	Interest	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Carrying Value
				(In Thousands)			
Cash in banks and cash equivalents	**1.00% to 4.63%**	**₱4,812,938**	**₱–**	**₱–**	**₱–**	**₱–**	**₱4,812,938**
Foreign long-term debt at floating rate							
$7.70 million loan (USD)	**Floating rate payable quarterly and in arrears, to be repriced every 90 days**	**₱–**	**₱341,683**	**₱–**	**₱–**	**₱–**	**₱341,683**
$61.79 million loan (USD)	**Floating rate to be repriced every 90 days**	**529,410**	**716,336**	**1,497,566**	**–**	**–**	**2,743,312**
$35.00 million loan (USD)	**Floating rate, aggregate of the margin (1.20%) and LIBOR, to be repriced every 90 to 180 days**	**102,109**	**208,657**	**1,243,060**	**–**	**–**	**1,553,826**
$3.42 million loan (USD)	**Floating rate**	**–**	**151,878**	**–**	**–**	**–**	**151,878**
Mortgage payable at floating rate	**PDST-F benchmark yield for three-month treasury securities + 1.00%**	**(5,029)**	**206,150**	**840,161**	**840,907**	**3,793,311**	**5,675,500**
	PDST-F benchmark yield for 3-month treasury securities +1.75%	**1,519,639**	**1,525,049**	**1,530,478**	**767,281**	**–**	**5,342,447**
		₱2,146,129	**₱3,149,753**	**₱5,111,265**	**₱1,608,188**	**₱3,793,311**	**₱15,808,646**

		2012					
	Interest	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Carrying Value
				(In Thousands)			
Cash in banks and cash equivalents	1.25% to 4.62%	₱520,353,153	₱–	₱–	₱–	₱–	₱520,353,153
Foreign long-term debt at floating rate							
$23.08 million loan (USD)	1.32-1.95% p.a. payable semi-annually, to be repriced every 3 months	₱631,604	₱315,938	₱–	₱–	₱–	₱947,542
$5.62 million loan (USD)	1.80% p.a. for 92 days, to be repriced every 30 to 180 days	–	230,404	–	–	–	230,404
$62.29 million loan (USD)	1.16-1.61% p.a., to be repriced every 3 months	1,996,833	560,028	–	–	–	2,556,861
$25.34 million loan (USD)	1.03%-1.10% payable in 3-4 months, principal to be paid at maturity	1,040,276	–	–	–	–	1,040,276
Mortgage payable at floating rate	PDST-F benchmark yield for three-month treasury securities + 1.00%	–	–	20,230	81,118	446,147	547,495
	PDST-F benchmark yield for 3-month treasury securities +1.75%	1,514,248	1,519,639	1,525,049	1,530,478	767,281	6,856,695
		₱5,182,961	₱2,626,009	₱1,545,279	₱1,611,596	₱1,213,428	₱12,179,273

The following table demonstrates the sensitivity of the Group's income before tax to a reasonably possible change in interest rates on December 31, 2013 and 2012, with all variables held constant, through the impact on floating rate borrowings.

	Effect on Income Before Tax	
Basis points (in thousands)	**2013**	2012
+100	**(₱158,086)**	(₱121,793)
-100	**158,086**	121,793

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

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

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

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

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

The tables below summarize the maturity profile of the Group's financial assets and liabilities as of December 31, 2013 and 2012 based on undiscounted contractual payments:

	2013					
	Less than 6 months	6-12months	1-2 years	2-3 years	More than 3 years	Total
Assets						
Cash in banks and cash equivalents	₱4,812,937,791	₱–	₱–	₱–	₱–	₱4,812,937,791
Receivables:						
Trade receivables - outside parties	3,788,916,339		7,440	30,240,190	77,378,346	3,896,542,315
Trade receivables - related parties	75,553,612	–	–	–	–	75,553,612
Others*	48,948,283	–	–	–	–	48,948,283
Environmental guarantee fund	–	–	–	–	1,500,000	1,500,000
Investment in sinking fund	–	–	–	–	517,603,224	517,603,224
	8,726,356,025	–	7,440	30,240,190	596,481,570	9,353,085,225
Liabilities						
Trade and other payables:						
Trade:						
Payable to suppliers and contractors	3,256,554,439	–	–	–	–	3,256,554,439
Related parties	878,822,345	–	–	–	–	878,822,345
Accrued expenses and other payables**	338,788,772	–	–	–	–	338,788,772
Short-term loans	1,655,079,934	–	–	–	–	1,655,079,934
Long-term debt at floating rate						
$7.70 million loan (USD) with interest payable in arrears	1,756,419	1,756,419	345,195,455	–	–	348,708,293
$61.79 million loan (USD) with interest payable in arrears	17,139,530	546,549,905	743,999,781	1,516,278,852	–	2,823,968,068
$35.00 million loan (USD) with interest payable in arrears	9,322,950	111,431,450	226,077,098	1,257,976,720	–	1,604,808,218
$3.42 million loan (USD) with interest payable in arrears	1,260,873	1,260,873	154,399,338	–	–	156,921,084
PDST-F benchmark yield for 3-month treasury securities + 1.00%	104,473,270	104,473,270	208,946,540	875,004,071	4,851,931,386	6,144,828,537
PDST-F benchmark yield for 3-month treasury securities + 1.75%	779,957,166	780,372,235	1,594,101,156	1,605,963,747	809,335,971	5,569,730,275
	7,043,155,698	1,545,844,152	3,272,719,368	5,255,223,390	5,661,267,357	22,778,209,965
	₱1,683,200,327	(₱1,545,844,152)	(₱3,272,711,928)	(₱5,224,983,200)	(₱5,064,785,787)	(₱13,425,124,740)

*excludes advances for liquidation
**excludes statutory liabilities

	2012					
	Less than 6 months	6-12months	1-2 years	2-3 years	More than 3 years	Total
Assets						
Cash in banks and cash equivalents	₱520,353,153	₱–	₱–	₱–	₱–	₱520,353,153
Receivables:						
Trade receivables - outside parties	3,207,794,303	186,082,876	–	–	–	3,393,877,179
Trade receivables - related parties	90,003,952	–	–	–	–	90,003,952
Others*	97,962,584	–	–	–	–	97,962,584
Environmental guarantee fund	–	–	–	–	1,500,000	1,500,000
Investment in sinking fund	–	–	–	–	508,041,189	508,041,189
	3,916,113,992	186,082,876	–	–	509,541,189	4,611,738,057
Liabilities						
Trade and other payables:						
Trade:						
Payable to suppliers and contractors	4,417,579,065	–	–	–	–	4,417,579,065
Related parties	709,496,525	–	–	–	–	709,496,525
Accrued expenses and other payables**	117,958,114	–	–	–	–	117,958,114
Short-term loans	175,646,271	–	–	–	–	175,646,271
Long-term debt at floating rate						
$23.08 million loan (USD) with interest payable in arrears	636,767,242	2,625,023	321,103,675	–	–	960,495,940
$5.62 million loan (USD) with interest payable in arrears	2,073,640	2,073,640	234,551,693	–	–	238,698,973
$62.29 million loan (USD) with interest payable in arrears	2,010,660,683	3,878,195	567,784,482	–	–	2,582,323,360
$25.34 million loan (USD) with interest payable in arrears	628,401,855	419,625,036	–	–	–	1,048,026,891
PDST-F benchmark yield for 3-month treasury securities + 1.00%	10,312,500	10,312,500	20,625,000	40,095,451	547,037,563	628,383,014
PDST-F benchmark yield for 3-month treasury securities + 1.75%	798,914,863	781,961,760	1,572,611,105	1,551,380,339	2,324,212,112	7,029,080,179
	9,507,810,758	1,220,476,154	2,716,675,955	1,591,475,790	2,871,249,675	17,907,688,332
	(₱5,591,696,766)	(₱1,034,393,278)	(₱2,716,675,955)	(₱1,591,475,790)	(₱2,361,708,486)	(₱13,295,950,275)

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

Foreign currency risk
Majority of the Group's revenue are generated in Philippine peso, however, substantially all of capital expenditures are in US$.

The Group manages this risk by matching receipts and payments in the same currency and monitoring. Approximately, 26.66% and 29.03% of the Group's sales in 2013 and 2012, respectively, were denominated in US$ whereas approximately 25.55% and 38.65% of debts as of December 31, 2013 and 2012, respectively, were denominated in US$.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents follow:

	December 31, 2013		December 31, 2012		
	U.S. Dollar	**Peso Equivalent**	Yen	U.S. Dollar	Peso Equivalent
Assets					
Cash and cash equivalents	**$18,318,751**	**₱813,260,942**	¥–	$129,885	₱5,331,779
Trade receivables	**10,654,649**	**473,013,142**	–	15,120,837	620,710,340
Liabilities					
Trade payables	**(21,816,839)**	**(968,558,569)**	(44,264,786)	(7,745,053)	(339,123,523)
Short-term loans	**(32,367,091)**	**(1,436,937,001)**	–	(4,278,837)	(175,646,271)
Long-term debt (including current portion)	**(107,910,746)**	**(4,790,697,569)**	–	(116,323,594)	(4,775,083,533)
Net exposure	**($133,121,276)**	**(₱5,909,919,055)**	(¥44,264,786)	($113,096,762)	(₱4,663,811,208)

The exchange rates used were ₱44.40 to $1 and ₱41.05 to $1 and ₱0.48 to ¥1 in 2013 and 2012, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities) on December 31, 2013 and 2012.

Reasonably possible change in the Philippine peso-US dollar exchange rate	Increase (decrease) in income before tax	
	2013	2012
₱2	**(₱266,242,552)**	(₱226,193,524)
(₱2)	**266,242,552**	226,193,524

There is no impact on the Group's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on movement in dollar average exchange rates.

The Group recognized ₱481.00 million net foreign exchange loss, ₱391.00 million net foreign exchange gain and ₱38.32 million net foreign exchange loss for the years ended December 31, 2013, 2012 and 2011, respectively, arising from the translation of the Group's cash and cash equivalents, trade receivables, trade payables, short-term loans and long-term debt.

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

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

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

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

The credit risk is concentrated to the following markets:

	2013	2012
Trade receivables - outside parties	**96.65%**	94.75%
Trade receivables - related parties	**1.87**	2.52
Others	**1.48**	2.73
	100.00%	100.00%

As of December 31, 2013 and 2012, the credit quality per class of financial assets is as follows:

	2013				
	Neither Past Due nor Impaired		**Substandard**	**Past due and/or Individually**	
	Grade A	**Grade B**	**Grade**	**Impaired**	**Total**
Cash in banks and cash equivalents	**₱4,812,937,791**	**₱–**	**₱–**	**₱–**	**₱4,812,937,791**
Receivables:					
Trade receivables - outside parties	**2,149,725,650**	**1,481,867,441**	**–**	**762,123,106**	**4,393,716,197**
Trade receivables - related parties	**75,553,612**	**–**	**–**	**–**	**75,553,612**
Others	**43,132,924**	**–**	**–**	**5,815,359**	**48,948,283**
Environmental guarantee fund	**1,500,000**	**–**	**–**	**–**	**1,500,000**
Investment in sinking fund	**517,603,224**	**–**	**–**	**–**	**517,603,224**
Total	**₱7,600,453,201**	**₱1,481,867,441**	**₱–**	**₱767,938,465**	**₱9,850,259,107**

	2012				
	Neither Past Due nor Impaired		Substandard	Past due and/or Individually	
	Grade A	Grade B	Grade	Impaired	Total
Cash in banks and cash equivalents	₱520,353,153	₱–	₱–	₱–	₱520,353,153
Receivables:					
Trade receivables - outside parties	1,910,273,911	1,217,942,375		319,184,695	3,447,400,981
Trade receivables - related parties	–	90,003,952	–	–	90,003,952
Others	97,962,584	–	–	5,815,359	103,777,943
Environmental guarantee fund	1,500,000	–	–	–	1,500,000
Investment in sinking fund	508,041,189	–	–	–	508,041,189
Total	₱3,038,130,837	₱1,307,946,327	₱–	₱325,000,054	₱4,671,077,218

Cash in banks and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top ten (10) banks in the Philippines in terms of resources and profitability. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency. Trade receivable - related parties are considered Grade A due to the Group's positive collection experience. Environmental guarantee fund is assessed as Grade A since this is deposited in a reputable bank, which has a low probability of insolvency.

Grade A are accounts considered to be of high credit rating and are covered with coal supply and power supply contracts. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

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

Substandard grade accounts are accounts which have probability of impairment based on historical trend. Accounts under this group show possible future loss to the Group as a result of default in payment of the counterparty despite of the regular follow-up actions and extended payment terms.

In the Group's assessment, there are no financial assets that will fall under the category substandard grade due to the following reasons:

- Receivables from electricity and local coal sales - transactions are entered into with reputable and creditworthy companies.
- Receivables from export coal sales - covered by irrevocable letter of credit at sight from a reputable bank acceptable to the Group.

As of December 31, 2013 and 2012, the aging analyses of the Group's past due and/or impaired receivables presented per class are as follows:

	2013			
	Past Due but not Impaired		**Impaired Financial Assets**	
	<45 days	**45-135 days**		**Total**
Receivables				
Trade receivables - outside parties	**₱205,773,956**	**₱59,175,268**	**₱497,173,882**	**₱762,123,106**
Others	**–**	**–**	**5,815,359**	**5,815,359**
Total	**₱205,773,956**	**₱59,175,268**	**₱502,989,241**	**₱767,938,465**

	2012			
	Past Due but not Impaired		Impaired Financial Assets	
	<45 days	45-135 days		Total
Receivables				
Trade receivables - outside parties	₱229,925,118	₱35,735,775	₱53,523,802	₱319,184,695
Others	–	–	5,815,359	5,815,359
Total	₱229,925,118	₱35,735,775	₱59,339,161	₱325,000,054

Capital management
The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies and processes from the previous years.

The Group manages its capital using Debt-to-Equity ratio, which is interest-bearing loans divided by equity, and EPS. The following table shows the Group's capital ratios as of December 31, 2013 and 2012.

	2013	2012 (As restated)
Interest-bearing loans	**₱15,808,646,351**	₱12,179,273,676
Total equity	**20,127,511,704**	16,870,331,398
Debt-to-Equity ratio	**78.54%**	72.19%
EPS (Note 26)	**₱21.11**	₱17.85

The aggressive expansion and investment strategies of the Group resulted to higher Debt-to-Equity ratios in 2013 and 2012. The Debt-to-Equity ratio is carefully matched with the strength of the Group's financial position, such that when a good opportunity presents itself, the Group can afford further leverage.

The following table shows the component of the Group's capital as of December 31, 2013 and 2012:

	2013	2012 (As restated)
Total paid-up capital	**₱7,031,777,411**	₱7,031,777,411
Remeasurement losses on pension plan	**(5,876,670)**	(18,465,694)
Retained earnings - unappropriated	**10,801,610,963**	9,157,019,681
Retained earnings - appropriated	**2,300,000,000**	700,000,000
	₱20,127,511,704	₱16,870,331,398

30. **Fair Values**

Fair Value Information
Cash and cash equivalents, receivables, environmental guarantee fund, investment in sinking fund, trade payables, accrued expenses and other payables, and short-term loans carrying amounts approximate fair value due to the relatively short-term nature of the transactions.

Long-term debt
The carrying values approximated the fair value because of recent and regular repricing of interest rates (e.g. monthly, quarterly, semi-annual or annual basis) based on current market conditions. As of December 31, 2013 and 2012, interest rate ranges from 1.00% to 3.00% and 1.03% to 4.00%, respectively.

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

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

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

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

As of December 31, 2013 and 2012, the Group does not have financial instruments measured at fair value.

31. Lease Commitments

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

As of December 31, 2013, the Agreement with the Lessor is terminated.

LLA
As discussed in Notes 8, 28 and 34, SCPC entered into a LLA with PSALM for the lease of land in which the plant is situated, for a period of 25 years, renewable for another 25 years with the mutual agreement of both parties. SCPC paid US$3.19 million or its peso equivalent of ₱150.57 million as payment for the 25 years of rental.

As part of the agreement, SCPC has the option to buy the parcels of land that form part of the leased premises upon issuance of an Option Existence Notice. On July 12, 2010, PSALM issued an Option Existence Notice and granted the SCPC the "Option" to purchase parcels of land (Optioned Assets) that form part of the leased premises. SCPC availed of the "Option" and paid the Option Price amounting to US$0.32 million or a peso equivalent of ₱14.72 million exercisable within one year from the issuance of the Option Existence Notice.

On May 5, 2011, PSALM granted SCPC's request to assign portion of its option to the Parent Company to buy the 82,740 square meters lot covered by TCT No. 115804.

On June 1, 2011, the Parent Company and SCPC exercised its option to purchase the Option Asset and subsequently entered into a Deed of Absolute Sale with PSALM for the total consideration of ₱376.61 million.

On October 12, 2011, SCPC reiterated its proposal to purchase the remainder of the Leased Premises not identified as Optioned Assets. One of the salient features of the proposal included the execution of Contract to Sell (CTS) between SCPC and PSALM. This included the proposal of SCPC to assign its option to purchase and sub-lease in favor of Southwest Luzon Power Generation (SLPGC).

On February 13, 2012, PSALM held off the approval of the proposal to purchase the portion of Calaca Leased Premises not identified as Optioned Assets, subject to further studies. On the same date, PSALM Board has approved SCPC's request to sub-lease a portion of the Calaca Leased Premises to SLPGC for the purpose of constructing and operating a power plant.

On February 24, 2012, SCPC sent a letter to PSALM for its proposal to handle the titling of Calaca Land.

As of the December 31, 2013, PSALM is pending for any response in connection therewith.

32. Notes to Consolidated Statements of Cash Flow

Supplemental disclosure of noncash investing and financing activities follows:

	2013	2012	2011
Increase in property, plant and equipment and liabilities arising from adjustments relating to decommissioning (Note 8)	**₱133,188,944**	₱275,903,977	₱226,731,248
Application of creditable withholding tax to income tax payable	**11,691,929**	–	–
Transfers from inventory to property, plant and equipment (Note 8)	–	223,519,372	1,607,455,720
Adjustments to provision for decommissioning and site rehabilitation (Note 15)	–	5,265,923	–

33. Operating Segments

<u>Segment Information</u>
For management purposes, the Group is organized into business units based on their products and activities. Segment revenues, cost and operating expenses, profit or loss, segment assets and segment liabilities assume measurement under PFRS. Reportable operating segments are as follows:

- Mining - engaged in surface open cut mining of thermal coal;
- Power - involved in generation of energy available for sale thru bilateral contracts, electricity markets and trading; and
- Others - other investing activities.

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

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

	2013 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱12,573,569	₱14,757,590	₱–	₱–	₱27,331,159
Inter-segment sales	4,103,853	–	–	(4,103,853)	–
	16,677,422	14,757,590	–	(4,103,853)	27,331,159
Cost of sales	(10,067,559)	(4,999,756)	–	3,412,666	(11,654,649)
Depreciation and amortization	(1,665,007)	(1,509,951)	–	719,111	(2,455,847)
Gross profit	4,944,856	8,247,883	–	27,924	13,220,663
Operating expenses	(1,686,861)	(1,967,466)	(200)	–	(3,654,527)
Loss on property, plant and equipment writedown	–	(1,559,385)	–	–	(1,559,385)
Depreciation	(28,020)	(22,584)	–	–	(50,604)
Operating profit	3,229,975	4,698,448	(200)	27,924	7,956,147
Other income	2,577,903	203,180	126	(2,500,000)	281,209
Finance income	1,889	24,839	77	–	26,805
Foreign exchange loss	(463,938)	(17,239)	–	–	(481,177)
Finance costs	(152,628)	(228,601)	–	–	(381,229)
Provision for (benefit from) income tax	(131,452)	13,613	1	–	(117,838)
Net income	₱5,324,653	₱4,667,014	₱2	(₱2,472,076)	₱7,519,593
Segment assets	₱12,363,065	₱33,386,629	₱46,356	(₱1,208,617)	₱44,587,433
Deferred tax assets	135,182	4,743	33	–	139,958
	₱12,498,247	₱33,391,372	₱46,389	(₱1,208,617)	₱44,727,391
Segment liabilities	₱6,186,795	₱3,736,745	₱38,330	(₱1,170,637)	₱8,791,233
Long-term debt	4,790,698	11,017,949	–	–	15,808,647
Deferred tax liability	–	–	–	–	–
	₱10,977,493	₱14,754,694	₱38,330	(₱1,170,637)	₱24,599,880
Cash flows arising from:					
Operating activities	₱6,061,170	₱6,593,511	(₱18)	–	12,654,663
Investing activities	(2,183,859)	(6,656,038)	(37,963)	–	(8,877,860)
Financing activities	(3,056,366)	3,554,835	–	–	498,469
Other disclosures					
Capital expenditures	₱1,747,122	₱7,150,621	₱–	₱–	₱8,897,743
Provision for doubtful accounts	29,743	413,907	–	–	443,650
Provision for inventory obsolescence	4,120	–	–	–	4,120
Reversal of impairment losses	(61,549)	–	–	–	(61,549)

	2012 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱14,450,155	₱9,700,092	₱–	₱–	₱24,150,247
Inter-segment sales	3,176,475	–	–	(3,176,475)	–
	17,626,630	9,700,092	–	(3,176,475)	24,150,247
Cost of sales	(10,333,544)	(4,133,245)	–	2,825,804	(11,640,985)
Depreciation and amortization	(1,995,919)	(1,420,440)	–	413,403	(3,002,956)
Gross profit	5,297,167	4,146,407	–	62,732	9,506,306
Operating expenses	(1,977,308)	(1,036,854)	(102)	1,961	(3,012,303)
Loss on property, plant and equipment writedown	–	(341,162)	–	–	(341,162)
Depreciation	(23,097)	(21,814)	–	–	(44,911)
Operating profit	3,296,762	2,746,577	(102)	64,693	6,107,930
Other income	1,687,185	131,264	–	(1,500,000)	318,449
Finance income	13,115	68,948	82	–	82,145
Foreign exchange gain	387,832	3,168	–	–	391,000
Finance costs	(122,607)	(378,673)	–	–	(501,280)
Provision for income tax	(11,451)	(28,156)	3	–	(39,604)
Net income	₱5,250,836	₱2,543,281	(₱17)	(₱1,435,307)	₱6,358,640
Segment assets	₱12,196,116	₱24,856,536	₱5,065	(₱873,134)	₱36,184,583
Deferred tax assets	–	10,729	19	–	10,748
	₱12,196,116	₱24,867,265	₱5,084	(₱873,134)	₱36,195,331
Segment liabilities	₱5,043,169	₱2,909,635	₱152	(₱807,230)	₱7,145,726
Long-term debt	4,775,084	7,404,190	–	–	12,179,274
Deferred tax liability	–	–	–	–	–
	₱9,818,253	₱10,313,825	₱152	(₱807,230)	₱19,325,000
Cash flows arising from:					
Operating activities	₱3,422,328	₱3,731,637	₱65	(₱219,828)	₱6,934,202
Investing activities	(2,836,329)	(4,567,013)	–	1,167,665	(6,235,677)
Financing activities	(3,913,919)	(2,151,516)	2,500	956,635	(5,106,300)
Other disclosures					
Capital expenditures	₱2,060,066	₱3,309,580	₱–	₱–	₱5,369,646
Reversal of allowance for doubtful accounts	(9,552)	–	–	–	(9,552)
Provision for impairment losses	47,151	–	–	–	47,151

	2011 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱16,201,880	₱9,611,704	₱–	₱–	₱25,813,584
Inter-segment sales	3,861,843	–	–	(3,861,843)	–
	20,063,723	9,611,704	–	(3,861,843)	25,813,584
Cost of sales	(12,083,577)	(5,269,515)	–	3,327,506	(14,025,586)
Depreciation and amortization	(1,923,329)	(1,127,569)	–	415,866	(2,635,032)
Gross profit	6,056,817	3,214,620	–	(118,471)	9,152,966
Operating expenses	(1,816,319)	(1,001,658)	(50)	–	(2,818,027)
Depreciation	(20,667)	(17,564)	–	–	(38,231)
Operating profit	4,219,831	2,195,398	(50)	(118,471)	6,296,708
Other income	1,299,905	–	–	(1,200,000)	99,905
Finance income	79,448	55,429	–	–	134,877
Foreign exchange gain	(26,011)	(12,307)			(38,318)
Finance costs	(104,932)	(378,356)			(483,288)
Provision for income tax	16,154	5,741			21,895
Net income	₱5,484,395	₱1,865,905	(₱50)	(₱1,318,471)	₱6,031,779

(Forward)

	2011 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Segment assets	₱22,192,742	₱23,151,248	₱2,500	(₱9,736,701)	₱35,609,789
Deferred tax assets	–	19,747	–	–	19,747
	₱22,192,742	₱23,170,995	₱2,500	(₱9,736,701)	₱35,629,536
Segment liabilities	₱5,323,444	₱3,826,400	₱50	(₱833,401)	₱8,316,493
Long-term debt	4,140,133	8,369,261		–	12,509,394
Deferred tax liability	565	–	–	–	565
	₱9,464,142	₱12,195,661	₱50	(₱833,401)	₱20,826,452
Cash flow arising from:					
Operating activities	₱4,734,221	₱1,918,600	₱–	(₱37,831)	₱6,614,990
Investing activities	(1,673,786)	(465,796)	–	(389,469)	(2,529,051)
Financing activities	(2,125,406)	(1,206,029)	2,500	427,299	(2,901,636)
Other disclosures					
Capital expenditures	₱2,130,050	₱324,326	₱–	₱–	₱2,454,376
Provision for (reversal of) allowance for doubtful accounts	5,005	(7,892)	–	–	(2,888)

1. Intersegment revenues, other income, cost and expenses are eliminated in the consolidation.
2. Segment assets exclude deferred tax assets amounting to ₱139.96 million, ₱10.75 million and ₱19.75 million in 2013, 2012 and 2011, respectively.
3. Segment liabilities exclude deferred tax liabilities amounting to ₱31.65 million, ₱36.55 million and ₱6.77 million in 2013, 2012 and 2011. Long term bank loans are no longer included as these are managed on a group basis.
4. Significant noncash items charged to comprehensive income include loss on property, plant and equipment writedown and depreciation and amortization.
5. Capital expenditures consist of additions of property, plant and equipment.
6. All noncurrent assets other than financial instruments are located in the Philippines.

Total power energy sold to MERALCO amounted to ₱10.73 billion, ₱6.14 billion and ₱5.18 billion in 2013, 2012 and 2011, respectively.

Geographic Information

Revenues from external customers

The financial information about the operation of the Group as of December 31, 2013, 2012 and 2011 reviewed by the management follows:

	2013	2012	2011
Revenue:			
Local coal sales	**₱5,287,388,411**	₱7,440,134,295	₱9,041,167,716
Export coal sales	**7,286,180,834**	7,010,021,039	7,160,712,695
	₱12,573,569,245	₱14,450,155,334	₱16,201,880,411

Substantially all revenues from external customer are from open cut mining and sales of thermal coal. Local and export classification above is based on the geographic location of the customer.

Customers on the export sales are significantly to China.

All revenues from power are derived from the Philippine market.

34. **Other Matters**

a. Electric Power Industry Reform Act (EPIRA)

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

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

In August 2005, the ERC issued a resolution reiterating the statutory mandate under the EPIRA law for the generation and distribution companies, which are not publicly listed, to make an initial public offering (IPO) of at least 15% of their common shares. Provided, however, that generation companies, distribution utilities or their respective holding companies that are already listed in the Philippine Stock Exchange (PSE) are deemed in compliance. SCPC was already compliant with this requirement given that the Parent Company is a publicly listed company.

WESM

With the objective of providing competitive price of electricity, the EPIRA authorized DOE to constitute an independent entity to be represented equitably by electric power industry participants and to administer and operate WESM. WESM will provide a mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity.

In addition, the DOE was tasked to formulate the detailed rules for WESM which include the determination of electricity price in the market. The price determination methodology will consider accepted economic principles and should provide a level playing field to all electric power industry participants. The price determination methodology was subject to the approval of the ERC.

In this regard, the DOE created Philippine Electricity Market Corporation (PEMC) to act as the market operator governing the operation of WESM. On June 26, 2006, WESM became operational in the Luzon grid and adopts the model of a "gross pool, net settlement" electricity market.

b. Power Supply Agreement with Manila Electric Company (MERALCO)

On December 20, 2011, SCPC entered into a new power supply agreement with MERALCO, a distributor of electric power, which took effect in December 26, 2011 and shall have a term of seven (7) years, which may be extended by the parties for another three (3) years.

SCPC will be providing MERALCO with an initial contracted capacity of 210 MW and will be increased to 420 MW upon the commercial operation of the plant's Unit 1.

On March 12, 2012, MERALCO filed an application for the *Approval of the Power Supply Agreement (PSA) between MERALCO and SCPC, with a Prayer for Provisional Authority,* docketed as ERC Case No. 2011-037 RC.

In the said application, MERALCO alleged and presented on the following: a.) the salient provisions of the PSA; b.) payment structure under the PSA; c.) the impact of the approval of the proposed generation rates on MERALCO's customers; and d.) the relevance and urgent need for the implementation of the PSA.

On December 17, 2012, the Commission (ERC) issued a Decision approving with modification of the ERC Case No. 2012-037 RC.

c. Clean Air Act

On November 25, 2000, the Implementing Rules and Regulations (IRR) of the Philippine Clean Air Act (PCAA) took effect. The IRR contains provisions that have an impact on the industry as a whole and on SCPC in particular, that need to be complied with within 44 months (or until July 2004) from the effectivity date, subject to the approval by DENR. The power plant of SCPC uses thermal coal and uses a facility to test and monitor gas emissions to conform with Ambient and Source Emissions Standards and other provisions of the Clean Air Act and its IRR. Based on SCPC's initial assessment of its power plant's existing facilities, SCPC believes that it is in full compliance with the applicable provisions of the IRR of the PCAA.

d. Contract for the Fly Ash of the Power Plant

On October 20, 1987, NPC and Pozzolanic Australia Pty, Ltd. ("Pozzolanic") executed the Contract for the Purchase of Fly Ash of the Power Plant (the "Pozzolanic Contract"). Under the Pozzolanic Contract, Pozzolanic was given the right to sell, store, process, remove or otherwise dispose of all fly ash produced at the first unit of the Power Plant. It was also granted the first option to purchase fly ash, under similar terms and conditions, from the second unit of the Power Plant that NPC may construct. It may also exercise the exclusive right of first refusal to purchase fly ash from any new coal-fired power plants which will be put up by NPC.

The Pozzolanic Contract is effective for a period of five consecutive five-year terms from its signing, or a period of 25 years from October 20, 1987 or until 2012, subject to cancellation by NPC upon default or any breach of contract by Pozzolanic. At the end of each five-year term, the parties will agree to assess and evaluate the Pozzolanic Contract, and if necessary, revise, alter, modify the same upon their mutual consent.

The Philippine Government has determined the provision of the Pozzolanic Contract which grants Pozzolanic the exclusive right of first refusal to purchase fly ash from the second unit of the Power Plant and from any coal-fired power plant put up by NPC after the execution of the Pozzolanic Contract as invalid. This is the subject of a case filed by Pozzolanic and pending before the regional trial court of Quezon City as of December 31, 2011.
On April 30, 2012, the Company and Pozzolanic sealed its new contract valid and effective for a period of fifteen (15) years beginning February 1, 2012. Pozzolanic, as agreed, shall purchase One Hundred (100 %) percent of fly ashes produced or generated by the Power Plant.

e. Temporary Restraining Order on MERALCO

On December 23, 2013, the Supreme Court (SC) issued a temporary restraining order (TRO) to MERALCO enjoining it from increasing the generation rates it charges to its consumers arising from the increased generation costs from its suppliers for the supply month of November 2013. The said TRO also enjoined the Energy Regulatory Commission (ERC) from implementing its December 9, 2013 Order authorizing MERALCO to stagger the collection of its increased generation costs for the supply month of November 2013. The TRO was for a period of 60 days from December 23, 2013 to February 21, 2014.

On January 10, 2014, the SC impleaded MERALCO's suppliers of generation costs, including PEMC, the operator of the wholesale electricity supply market (WESM), as parties-respondents in the cases.

On February 18, 2014, the SC extended the TRO for another 60 days up to April 22, 2014.

As a result of the TRO, MERALCO has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs, including PEMC.

On March 11, 2014, the ERC released its ERC Order (Case No 2014-021MC, dated March 3, 2014) voiding the Luzon WESM prices during the November and December 2013 supply months and declaring the imposition of regulated prices in lieu thereof. PEMC was hereby directed within 7 days from receipt of the Order to calculate these regulated prices and implement the same in the revised WESM bills of the concerned distribution utilities in Luzon for the November and December 2013 supply months for their immediate settlement, except for MERALCO whose November 2013 WESM bill shall be maintained in compliance with the TRO issued by the SC.

Pending PEMC's actions and/or recalculation of the WESM prices for the November and December 2013 supply months in accordance with the ERC Order, and its effect on each generation company that trade in the WESM, the Company estimated its exposure to the said ERC order . Please see judgments and estimates in Note 3.

35. Events after Reporting Date

On March 6, 2014, the Parent Company's BOD approved the following matters, during their regular meeting, which are subject to approval of stockholders in their upcoming annual meeting on May 5, 2014:

- Stock dividends declaration amounting to ₱712,500,000, divided into 712,500,000 shares at the par value of ₱1.00 per share, or two (2) common shares for every one common share held, from the unrestricted retained earnings of the Parent Company as of December 31, 2013, and to be issued from the increase in the authorized capital stock of the Parent Company with delegation to the President of the power to determine the record date and payment dates;
- Change in corporate name to Semirara Mining and Power Corporation;
- Increase in authorized capital stock from ₱1,000,000,000 to ₱3,000,000,000;
- Change in principal office address from "Metro Manila" to "2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City, Metro Manila" in compliance to SEC Memorandum Circular No. 6, Series of 2014; and
- Ratification of the Parent Company's authority to execute the required securities and corporate guarantee in relation to the procurement of project debt facility by its wholly owned subsidiary, St. Raphael Power Generation Corporation (SRPGC) to fund Phase 2 of its power expansion at Calaca, Batangas, with capacity of up to 400MW and project cost of up to USD600 million, of which 70% shall be funded by debt, and the 30% equity requirement shall be funded by the Parent Company. The Parent Company pledged 67% voting shares and interim corporate suretyship in SRPGC for the project debt facility.

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

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

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Semirara Mining Corporation
2nd Floor DMCI Plaza Building
2281 Pasong Tamo Extension
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Semirara Mining Corporation and its subsidiaries (the Group) as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, included in this Form 17-A, and have issued our report thereon dated March 19, 2014. Our audit was 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 Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule No. 68, As Amended (2011) and are not part of the 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.

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-A (Group A),
May 31, 2012, valid until May 30, 2015
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225226, January 2, 2014, Makati City

March 19, 2014

SEMIRARA MINING CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

- Report of Independent Auditors' on supplementary schedules
- Reconciliation of retained earnings available for dividend Declaration (Part 1, 4C; Annex 68-C)
- Schedule of all the effective standards and interpretations (Part 1, 4J)
- Supplementary schedules required by Annex 68-E
- Map of the relationships of the companies within the group (Part 1, 4H)

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

DECEMBER 31, 2013

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued

NOT APPLICABLE

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2013

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period

Not applicable. The Group's receivables from officers and employees pertain to ordinary purchases subject to usual terms, travel and expense advances and other transactions arising from the Group's ordinary course of business.

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2013

Name of Subsidiaries	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Sem-Calaca Power Corporation	₱754,490,862	₱5,009,502,504	(₱4,696,069,329)	₱–	₱1,067,924,037	₱–	₱1,067,924,037
SEM - Cal Industrial Park Developers, Inc.	20,220	33,000	–	–	53,220	–	53,220
Southwest Luzon Power Generation Corporation	88,584	3,612,934,027	(3,611,703,593)	–	1,319,018	–	1,319,018
SEM-Balayan Power Generation Corporation	–	167,124	–	–	167,124	–	167,124
St. Raphael Power Generation Corporation	–	87,391	–	–	87,391	–	87,391
Semirara Energy Utilities, Inc.	–	62,930	–	–	62,930	–	62,930
Semirara Claystone, Inc.	20,710	38,046,943	–	–	38,067,653	–	38,067,653
	₱754,620,376	₱8,660,833,919	(₱8,307,772,922)	₱–	₱1,107,681,373	₱–	₱1,107,681,373

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

SCHEDULE D: INTANGIBLE ASSETS

DECEMBER 31, 2013

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Charged to other accounts	Other changes	Ending balance
Software cost	₱2,377,767	₱4,936,722	(₱3,633,560)	₱–	₱–	₱3,680,929
Capitalized development cost	–	37,962,843	–	–	–	37,962,843
	₱2,377,767	₱42,899,565	(₱3,633,560)	₱–	₱–	₱41,643,772

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

SCHEDULE E: LONG TERM DEBT

DECEMBER 31, 2013

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%	May 2017	Payable in twenty-five (25) equal consecutive quarterly installments commencing on May 2011	₱1,519,639,144	₱3,822,808,402
Mortgage payable	5,701,437,479	PDST-F benchmark yield for 3-month treasury securities + 1.00%	May 2022	Payable in twenty-five (27) equal consecutive quarterly installments commencing on November 24, 2015	–	5,675,501,237
Bank loans	320,373,016	Floating rate payable quarterly and in arrears, to be repriced every 90 days	January 2015	Principal repayable in bullet at the end of three (3) years from drawdown date	–	320,373,016
Bank loans	21,309,600	Floating rate payable quarterly and in arrears, to be repriced every 90 days	January 2015	Principal repayable in bullet at the end of three (3) years from drawdown date	–	21,309,600
Bank loans	97,713,395	Floating rate to be repriced every 90 days	March 2014	Principal repayable at maturity date	97,713,395	–
Bank loans	52,119,730	Floating rate to be repriced every 90 days	April 2014	Principal repayable at maturity date	52,119,730	–
Bank loans	144,550,120	Floating rate to be repriced every 90 days	July 2014	Principal repayable at maturity date	144,550,120	–
Bank loans	127,502,440	Floating rate to be repriced every 90 days	August 2014	Principal repayable at maturity date	127,502,440	–
Bank loans	9,544,925	Floating rate to be repriced every 90 days	September 2014	Principal repayable at maturity date	9,544,925	–

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	₱97,979,765	Floating rate to be repriced every 90 days	November 2014	Principal repayable at maturity date	₱97,979,765	₱–
Bank loans	176,779,079	Floating rate to be repriced every 90 days	March 2015	Principal repayable at maturity date	–	176,779,079
Bank loans	290,691,985	Floating rate to be repriced every 90 days	May 2015	Principal repayable at maturity date	–	290,691,985
Bank loans	18,632,435	Floating rate to be repriced every 90 days	June 2015	Principal repayable at maturity date	–	18,632,435
Bank loans	215,493,330	Floating rate to be repriced every 90 days	April 2015	Principal repayable at maturity date	–	215,493,330
Bank loans	14,739,140	Floating rate to be repriced every 90 days	July 2015	Principal repayable at maturity date	–	14,739,140
Bank loans	1,497,566,016	Floating rate to be repriced every 90 days	December 2016	Principal repayable at maturity date	–	1,497,566,016
Bank loans	102,108,500	Floating rate, aggregate of the margin (1.20%) and LIBOR, to be repriced every 90 to 180 days	December 2014	Principal repayable in semi-annual installments commencing on the 12th month after the date of the Agreement until date of final maturity	102,108,500	–
Bank loans	104,328,250	Floating rate, aggregate of the margin (1.20%) and LIBOR, to be repriced every 90 to 180 days	June 2015	Principal repayable in semi-annual installments commencing on the 12th month after the date of the Agreement until date of final maturity	–	104,328,250
Bank loans	104,328,250	Floating rate, aggregate of the margin (1.20%) and LIBOR, to be repriced every 90 to 180 days	December 2015	Principal repayable in semi-annual installments commencing on the 12th month after the date of the Agreement until date of final maturity	–	104,328,250

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	₱621,530,000	Floating rate, aggregate of the margin (1.20%) and LIBOR, to be repriced every 90 to 180 days	June 2016	Principal repayable in semi-annual installments commencing on the 12th month after the date of the Agreement until date of final maturity	₱–	₱621,530,000
Bank loans	621,530,000	Floating rate, aggregate of the margin (1.20%) and LIBOR, to be repriced every 90 to 180 days	December 2016	Principal repayable in semi-annual installments commencing on the 12th month after the date of the Agreement until date of final maturity	–	621,530,000
Bank loans	151,877,594	Floating rate	September 2015	Principal payable on the date of maturity	–	151,877,594
	₱20,092,135,049				₱2,151,158,019	₱13,657,488,333

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2013

Name of related party	Balance at beginning of period	Balance at end of period

Not applicable. There are no indebtedness to related parties that are noncurrent.

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2013

Name of issuing entity of securities guaranteed by the company for which this statements is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee

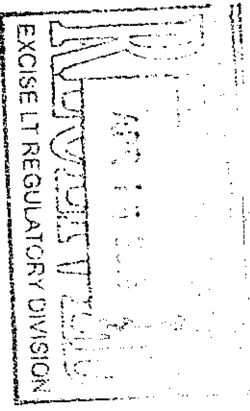
NOT APPLICABLE

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

SCHEDULE H: CAPITAL STOCK

DECEMBER 31, 2013

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	–	244,256,042	1,929,819	110,064,139


EXCISE LT REGULATORY DIVISION

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional schedule requirements for large entities showing a list of all effective standards and interpretations under Philippine Financial Reporting Standards (PFRS).

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2013:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		✓	
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14,			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
	Prepayments of a Minimum Funding Requirement			
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		

Standards tagged as "Not applicable" have been adopted by the Group but have no significant covered transactions for the year ended December 31, 2013.

Standards tagged as "Not adopted' are standards issued but not yet effective as of December 31, 2013. The Group will adopt the Standards and Interpretations when these become effective.

SEMIRARA MINING CORPORATION

SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2013

Unappropriated Retained Earnings, beginning		₱5,987,078,165
Adjustments (PAS 19R – transition adjustment)		3,024,550
Unappropriated retained earnings, as adjusted to available for dividend distribution, as at December 31, 2012		5,990,102,715
Net income actually earned/realized during the period:		
Net income during the period closed to retained earnings	₱5,324,652,517	
Less: Non actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain-net (except those attributable to Cash and Cash equivalents)	209,888,548	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Deferred tax asset that reduced the amount of income tax expense	131,717,141	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP-loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Net income actually earned during the period	4,983,046,828	
Add (Less):		
Dividend declarations during the period	(4,275,000,000)	
Appropriations of retained earnings during the period	(1,600,000,000)	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	(891,953,172)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		**₱5,098,149,543**

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2013 and 2012:

Financial ratios		2013	2012
Current ratio	Current assets / Current liabilities	**1.48:1**	0.96:1
Quick ratio	Current assets less inventories / Current liabilities	**1.02:1**	0.50:1
Solvency ratio	Net income plus depreciation / Total liabilities	**0.47:1**	0.49:1
Debt to equity ratio	Interest-bearing loans / Total equity	**0.87:1**	0.73:1
Asset-to-equity ratio	Total assets / Total equity	**2.22:1**	2.15:1
Inventory turnover	Cost of sales / Average inventory	**2.74:1**	2.86:1
Accounts receivable turnover ratio	Net credit sales / Average accounts receivable	**7.18:1**	7.11:1
Interest rate coverage	EBIT* / Interest expense**	**16.21:1**	13.36:1
Return on assets	Net income / Average total assets	**0.19:1**	0.18:1
Return on equity	Net income / Average total equity	**0.41:1**	0.40:1
Gross Margin ratio	Gross profit / Sales	**0.48:1**	0.39:1
Net profit margin ratio	Net income / Sales	**0.28:1**	0.26:1

* *Earnings before interest and taxes (EBIT)*

** *Includes interest capitalized as part of asset*

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2013