COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

2 N D F L O O R D M C I P L A Z A

2 2 8 1 D O N C H I N O R O C E S A V E N U E

M A K A T I C I T Y

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

Junalina S. Tabor

(Contact Person)

888-3000

(Company Telephone Number)

1 2 3 1

(Fiscal Year)

1 7 - Q

(Form Type)

Month *Day*

(Annual Meeting[1])

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

[1] First Monday of May of each year.

SEC Number : 91447
File Number : _________

SEMIRARA MINING CORPORATION
Company's Full Name

2nd Floor, DMCI Plaza
2281 Chino Roces Avenue, Makati City
Company's Address

888-3550 to 888-3565
Telephone Number

For the Period Ending March 31, 2014
Period Ended

QUARTERLY REPORT FORM 17-Q
Form Type

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarter period ended **March 31, 2014**

2. Commission Identification Number **91447**

3. BIR Tax Identification No. **000-190-324-000**

4. Exact Name of issuer as specified in its charter:

   SEMIRARA MINING CORPORATION

5. Province, Country or other jurisdiction of incorporation of organization:
   PHILIPPINES

6. Industry Classification Code:____________(SEC use only)

7. Address of issuer's principal office Postal Code

   2nd Floor, DMCI Plaza, 1231
   2281 Chino Roces Avenue, Makati City

8. Registrants telephone Number, including area code:
   +63 2 8883550 to +63 2 8883565

9. Former Address : 7th Floor, Quad Alpha Centrum Bldg., 125 Pioneer St., Mandaluyong City
   Telephone Nos. : 631-8001 to 6318010
   Former name: : Semirara Coal Corporation
   No former fiscal year of the registrant.

10. Securities registered pursuant to Section 4 of the RSA.

Title of each class	Number of shares of common Stock Outstanding
Common Stock, P1.00 par value	356,250,000 shares

11. 356,250,000 shares are listed in the Philippine Stock Exchange

12. The registrant has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11 (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months.

    Has been subject for such filing requirements for the past 90 days

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SEMIRARA MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of March 31, 2014

	(Unaudited) March 31, 2014	(Audited) December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	5,901,893,523	4,819,307,265
Receivables - net	2,998,072,008	4,031,651,937
Inventories - net	4,558,360,333	4,629,560,568
Other current assets	976,478,546	1,319,685,738
Total Current Assets	14,434,804,410	14,800,205,508
Noncurrent Assets		
Property, plant and equipment - net	30,008,861,098	27,286,155,824
Investments	518,958,315	517,603,224
Exploration and evaluation asset	348,152,638	348,152,638
Deferred Tax Assets	139,967,658	139,957,352
Other noncurrent assets	1,548,677,497	1,635,316,348
Total Noncurrent Assets	32,564,617,205	29,927,185,386
TOTAL ASSETS	46,999,421,615	44,727,390,894
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables	6,163,711,572	6,184,656,544
Short-term loans	704,220,279	1,655,079,934
Current portion of long-term debt	1,555,813,120	2,151,158,019
Total Current Liabilities	8,423,744,971	9,990,894,497
Noncurrent liabilities		
Long-term debt - net of current portion	15,492,444,876	13,657,488,332
Provision for decommissioning and site rehabilitation	196,504,050	196,504,051
Pension liabilities	31,894,460	31,645,362
Other noncurrent liabilities	705,747,886	723,346,948
Total Noncurrent Liabilities	16,426,591,273	14,608,984,693
Total Liabilities	24,850,336,244	24,599,879,190
Stockholders' Equity		
Capital Stock	356,250,000	356,250,000
Additional paid-in capital	6,675,527,411	6,675,527,411
Remeasurement gains (losses) on pension plan	(5,876,670)	(5,876,670)
Retained earnings	15,123,184,630	13,101,610,963
Total Stockholders' Equity	22,149,085,371	20,127,511,704
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	46,999,421,615	44,727,390,894

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Period Ending March 31, 2014 and 2013

For the Quarter Ending March 31, 2014 and 2013

	(Unaudited) For the Period		(Unaudited) For the Quarter	
	2014	2013	2014	2013
REVENUE				
Coal	4,772,142,182	2,678,903,245	4,772,142,182	2,678,903,245
Power	1,866,986,054	2,996,880,308	1,866,986,054	2,996,880,308
	6,639,128,236	5,675,783,553	6,639,128,236	5,675,783,553
COST OF SALES				
Coal	2,731,999,981	2,457,911,348	2,731,999,981	2,457,911,348
Power	565,822,583	1,589,228,691	565,822,583	1,589,228,691
	3,297,822,564	4,047,140,039	3,297,822,564	4,047,140,039
GROSS PROFIT	3,341,305,672	1,628,643,514	3,341,305,672	1,628,643,514
OPERATING EXPENSES	(1,225,843,206)	(675,918,733)	(1,225,843,206)	(675,918,733)
FINANCE INCOME (COSTS)	(52,743,475)	(64,975,694)	(52,743,475)	(64,975,694)
FOREIGN EXCHANGE GAINS (LOSSES)	(98,834,532)	68,324,931	(98,834,532)	68,324,931
OTHER INCOME	60,013,424	54,827,452	60,013,424	54,827,452
	(1,317,407,789)	(617,742,044)	(1,317,407,789)	(617,742,044)
INCOME BEFORE INCOME TAX	2,023,897,883	1,010,901,470	2,023,897,883	1,010,901,470
PROVISION FOR INCOME TAX	2,324,216	1,378,169	2,324,216	1,378,169
NET INCOME	2,021,573,666	1,009,523,301	2,021,573,666	1,009,523,301
			-	
TOTAL COMPREHENSIVE INCOME	2,021,573,666	1,009,523,301	2,021,573,666	1,009,523,301
Basic / Diluted Earnings per Share	5.67	2.83	5.67	2.83

Basis of EPS :

EPS = NET INCOME (LOSS) FOR THE PERIOD/NO. OF OUTSTANDING SHARES

Wherein :

Wtd Average Outstanding Shares	356,250,000	(as of March 31, 2014)
Wtd Average Outstanding Shares	356,250,000	(as of March 31, 2013)

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

As of March 31, 2014 and 2013

	Common Stock	Additional Paid-In Capital	Remeasurement Losses on Retirement Plan	Unappropriated Retained Earnings	Appropriated Retained Earnings	Grand Total
At January 1, 2014	356,250,000	6,675,527,411	-	8,301,610,963	2,300,000,000	17,633,388,374
Net Income for the period				2,021,573,666		2,021,573,666
Remeasurement Losses on Retirement Plan			(5,876,670)			(5,876,670)
Dividends				2,500,000,000		2,500,000,000
At March 31, 2014	356,250,000	6,675,527,411	(5,876,670)	12,823,184,629	2,300,000,000	22,149,085,371
At January 1, 2013	356,250,000	6,675,527,411	-	9,160,044,230	700,000,000	16,891,821,641
Net Income for the period				1,009,523,301		1,009,523,301
At March 31, 2013	356,250,000	6,675,527,411	-	10,169,567,532	700,000,000	17,901,344,943

SEMIRARA MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW

As of March 31, 2014 and 2013

	(Unaudited) 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	2,023,897,883	1,010,901,470
Adjustments for:		
Depreciation and amortization	607,291,423	701,796,915
Finance costs and revenues	43,614,725	54,610,688
Gain on sale of equipment		(19,800)
Net unrealized foreign exchange gains	34,646,059	(17,831,007)
Pension expense	914,857	750,623
Operating income before changes in working capital	2,710,364,948	1,750,208,889
Decrease (increase) in:		
Receivables	1,127,584,807	(1,376,974,688)
Inventories	183,898,863	1,300,394,310
Other current assets	710,941	207,168,624
Increase (decrease) in:		
Trade and other payables	155,318,898	(1,096,143,314)
Cash generated from (used in) operations	4,177,878,457	784,653,821
Interest received	9,934,371	7,310,164
Income tax paid	(2,324,216)	(1,378,169)
Interest paid	(53,514,966)	(89,582,605)
Net cash provided by (used in) operating activities	4,131,973,646	701,003,211
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in other noncurrent assets		(340,166,407)
Additions to property, plant and equipment	(3,281,647,236)	19,800
Additions to Sinking Fund/Investments	(1,355,091)	(3,589,359)
Additions to property, plant and equipment		(414,457,720)
Net cash used in investing activities	(3,283,002,327)	(758,193,686)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Availments	2,158,914,110	1,351,079,677
Loan Repayment	(1,925,299,169)	(1,074,542,012)
Net cash provided by (used in) financing activities	233,614,941	276,537,665
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,082,586,259	219,347,192
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,819,307,265	534,390,778
CASH AND CASH EQUIVALENTS AT END OF YEAR	5,901,893,523	753,737,970

1. 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 the Group's functional currency. All amounts are rounded off to the nearest peso unless otherwise indicated.

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at March 31, 2014 and for the year then ended.

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 in the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group control 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 presente separately in consolidated statement of comprehensive income, consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separate 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):

✓ 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)
✓ SEM-Balayan Power Generation Corporation (SBPGC)
✓ Sem-Cal RES Corporation (SCRC)*

**Wholly-owned subsidiary of SCPC*

Except for SCPC, the Parent Company's subsidiaries have not yet started commercial operations as of March 31, 2014.

<u>Business Combinations and Goodwill</u>

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 non-controlling 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 and 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 goodwll is allocated:

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

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.
When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated statement of comprehensive income.

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

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

<u>Changes in Accounting Policies</u>
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 st 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 arrangement", irrespective of whehter 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 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. 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. 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 PAS19.

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains ad 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 en 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 discount rate used to measure the employee benefit liability, each 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. 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 for 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 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 waster 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 acitivity. 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 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 Dislosure 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 periods beginning on or after January 1, 2013.

- PFRS 1, *First Time Adoption of PFRS – Borrowing Costs*
  The amendment clarifies that, upon the 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. 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.

<u>New Standards and Interpretations Issued but not yet effective</u>
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 and 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 a 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 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 a 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 legal 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 I son 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 amendment 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 period 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 (2010-2013 cycle)

The *Annual Improvements to PFRSs* (2010-2013 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 invesment 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 applied 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. PRFS 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 hled 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 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.

<u>Financial Assets and Financial Liabilities</u>

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.

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.

<u>Computer Software</u>
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.

<u>Impairment of Nonfinancial Assets</u>
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.

<u>Intangible Assets</u>
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.

Current and Noncurrent Classification

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

<u>Cost of Sales</u>
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.

<u>Leases</u>
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.

Foreign Currency Transactions and Translation

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.

Equity

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

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

Earnings per Share

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.

2. *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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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. 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.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

I. PRODUCTION – COMPARATIVE REPORT AS OF Q1 2014 vs. Q1 2013

COAL

Mining operations proceeded smoothly this period, such that total materials moved increased 76% YoY at 28.14 million bank cubic meters (bcm), from 16.00 million bcm last year. A slide in the west wall last year disrupted operations for 19 days. Strip ratio is back to normal level at 10.69:1 from 18.79:1 in Q1 2013. As a result, run-of-mine coal posted a 201% increase YoY at 2.47 million metric tons (MT) compared to 820 thousand MTs last year. Meanwhile, net product coal also increased by 165% at 2.33 million MTs from 880 million MT last year.

Coal sales volume matched production this year at 2.31 million MTs, posting a 30% increase YoY from 1.78 MTs in Q1 2013. As a result, ending inventory is about the same level as beginning inventory at 1.28 million MT, recording a 178% increase YoY compared to 460 thousand MTs in Q1 2013.

The table below shows the comparative production data for Q1 2014 and Q1 2013.

COMPARATIVE PRODUCTION DATA *(in '000, except Strip Ratio)*				
	Q1 '14	Q1 '13	Inc (Dec)	% Inc (Dec)
Total Materials (bcm)	28,135	16,001	12,134	*76%*
ROM Coal (MT)	2,467	820	1,646	*201%*
Strip Ratio	10.69:1	18.79:1	(8)	*-43%*
Net TPC (MT)	2,329	880	1,449	*165%*
COAL WASHING				
Washable Coal (MTs)	284	83	201	*243%*
Washed Coal (MTs)	171	50	120	*243%*
% recovery	60%	60%	(0)	*0%*
Beg. Inventory (MTs)	1,277	1,383	(105)	*-8%*
End Inventory (MTs)	1,279	460	819	*178%*

Aside from good weather condition, high machine utilization at 90% and use of parked equipment (for retirement), are the major factors contributing to the high production posted in the current period. Furthermore, coal mining activities are located in the area where coal quality is better at heating value of around 5,600 kcal or 10,000 BTU.

The robotic equipment that monitors slope movement is now operational. This is one of the new initiatives implemented to further strenghten safety measures and methods in open pit mining and be able to make pro-active safety programs to avoid accident.

POWER

Plant performance in Q1 2014 dropped due to only one plant running as Unit 2 undergone scheduled plant maintenance starting December 31, 2013. Total Gross generation registered at 488,778 MWH while total plant's average load reached 492MW, a 1% increase over the same quarter last year. This is attributed to Unit 1's improved average load of 236MW from 228MW.

Unit One

Gross generation of Unit 1 in Q1 2014 was recorded at 455,315 MWH. After its rehabilitation, the unit went online beginning August 2012. Average load was at 236MW using 100% Semirara coal. Capacity factor stayed in the range of 65% to 70% with 230 forced outage hours.

Unit capability was increased to 235MW from 230MW starting December 2012 with the aid of Nalco 9F-01 soot remove. The Nalco 9F-01 soot remove chemical spray is used to manage the fouling rate at the backpass of the boiler and consequently increased the unit capability.

Unit Two

Gross generation of Unit 2 for Q1 2014 was 33,463 MWH generated 5 days before it's scheduled 90-day shutdown, with an average load of 256 MW. Last year's Q1 2013 gross generation registered at 350,695 MWH with an average load of 257 MW and at a capacity factor of 54%.

Unit load was restricted to 280MW because of the leaking high pressure heaters 7 and 8. It was shut down to give way for the replacement and upgrading of the distributed control system due to technical obsolescence at the same time finally replace HP heaters 7&8 with new ones.

The table below shows the comparative production data for Q1 2014 and Q1 2013.

COMPARATIVE PLANT PERFORMANCE DATA
Q1'14 VS Q1'13

	Q1 '14	Q1 '13	% Inc (Dec)
Gross Generation, *Gwh*			
Unit 1	455	466	*-2%*
Unit 2	33	351	*-90%*
Total Plant	**489**	**816**	***-40%***
% Availability			
Unit 1	89%	95%	*-6%*
Unit 2	6%	63%	*-90%*
Total Plant	**48%**	**79%**	***-39%***
Capacity Factor			
Unit 1	70%	72%	*-2%*
Unit 2	5%	54%	*-90%*
Total Plant	**38%**	**63%**	***-40%***

II. MARKETING – COMPARATIVE REPORT AS OF Q1 2014 vs. Q1 2013

COAL

Export sales this period comprises 63% of the pie. Total exports rose 217% YoY at 1.46 million MTs from 461 thousand MTs in Q1 2013. Coal export prices improved by 33% at PHP2,379/MT as compared to PHP1,783 last year, due to higher grade Semirara coal and the devaluation of the Philippine peso during the period.

Meanwhile, local sales dropped by 36% YoY at 847 thousand MTs from 1.32 million MTs last year. This is mainly due to the decrease in off-take by power plant and cement customers.

Sales to power plants decreased 48% YoY at 448 thousand MTs from 864 thousand MTs last year. The power subsidiary's actual off-take is lower by 45% at 334 thousand MTs from 608 thousand MTs last year, as only one unit is operational in the current period. Another power customer also cut purchases as it has opted to import to fullfil its remaining contract with coal carrier, for the transport of imported coal.

Sales to cement plants likewise dropped 33% YoY at 242 thousand MTs from 361 thousand MTs last year. Due to the incident, one cement plant purchased more than its usual volume last year as protection order, thus abnormally increasing cement sales volume in Q1 2013. Moreover, one customer is buying less coal in the current period as one of its plants in under maintenance.

Moreover, sales to other industrial plants increased 69% YoY at 157 thousand MTs from 92 thousand tons last year. Two customers increased their off-take in the current period.

Composite average FOB price per MT increased 8% YoY at PHP2,366 from 2,182 last year despite continuous softening of global coal prices. This is due to the better quality of coal produced during the current period commanding higher prices particularly to export which averages at $53 from around $44 a tonne last year same period.

The table below shows the comparative sales volume data for Q1 2014 and Q1 2013.

COMPARATIVE SALES VOLUME DATA (in '000 MTs)						
CUSTOMER	**Q1 '14**	**%**	**Q1 '13**	**%**	**Inc (Dec)**	**% Inc (Dec)**
Power Plants						
Calaca	334	14%	608	34%	**(274)**	***-45%***
Other PPs	115	5%	256	14%	**(141)**	***-55%***
TOTAL PPs	**448**	**19%**	**864**	**49%**	**(416)**	***-48%***
Other Industries						
Cement	242	10%	361	20%	**(119)**	***-33%***
Others	157	7%	92	5%	**65**	***69%***
Total Others	**399**	***17%***	**454**	***26%***	**(55)**	***-12%***
TOTAL LOCAL	**847**	37%	**1,318**	74%	**(471)**	***-36%***
EXPORT	1,462	63%	461	26%	**1,001**	***217%***
GRAND TOTAL	**2,309**	**100%**	**1,778**	**100%**	**530**	***30%***

POWER

SCPC's recorded sales for Q1 2014 decreased to 387 GWh, 50**%** lower than the recorded sales of 771 GWh for the same period in 2013 due to the scheduled maintenance shutdown of Unit 2.
Of the total energy sold, 97% or 376GWh were sold to bilateral contracts and the remaining 3% to the spot market.

SCPC's sales to bilateral contracts went down by 50% from 751 GWh sales in Q1 2013. The decline was due to the decreased in actual energy delivered because only one plant is running.

MERALCO maintained to be the biggest customer of SCPC comprising 79% share of the total energy sales for SCPC's bilateral contracts, followed by BATELEC I and Trans-Asia at 10% and 7% shares, respectively.

Spot Market Sales is lower at 11 GWh against 20 GWh in Q1 2013.

Of the total energy sold, 99% was sourced from own generation and 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 de-rated capacity, in order to be able to supply committed capacity to certain customers. Contracts with some of its customer still cover the supply of replacement power but under a "pass-thru" cost arrangement.

SCPC bilateral contracts yielded higher prices at an average price of 4.82 P/KWh compared to the 3.90 P/KWh of same period of 2013. This is due to the fixed capacity payment regardless of actual energy delivered.

The table below shows the comparative sales volume data for Q1 2014 and Q1 2013.

COMPARATIVE SALES VOLUME DATA *(in GWh)*			
CUSTOMER	**Q1 '14**	**Q1 '13**	**% Inc (Dec)**
Bilateral Contracts	376	751	-50%
Spot Sales	11	20	-43%
GRAND TOTAL	**387**	**771**	**-50%**
Composite Ave Price	**4.82**	**3.89**	**24%**

III. FINANCE

A. Sales and Profitability

Consolidated Revenues, net of eliminating entries, increased 17% YoY at PHP6.64 billion in Q1 2014 from PHP5.68 billion. Coal Revenues, before elimination, increased 41% at PHP5.47 billion from PHP3.88 billion last year as a result of higher sales volume and higher composite average price per MT. On the other hand, power Revenues dropped 38% YoY at PHP 1.87 billion from PHP3.00 billion due to drop in energy sales volume, partially offset by higher average price per KWh.

Consolidated Cost of Sales dropped 19% at PHP3.30 billion from PHP4.05 billion last year. Cost of Coal Sales before elimination managed to decreased by 15% YoY at PHP3.17 billion from PHP3.70 billion despite higher volume sold. This is mainly due to lower strip ratio backed-up by implementation of cost-saving measures to counter declining global coal prices. Cost of coal sold per MT dropped 34% YoY at PHP1,376 from PHP2,095 last year.

Meanwhile, power Cost of Sales before elimination decreased 46% YoY at PHP847 million from PHP1.58 billion; and 62% after elimination at PHP0.57 billion from PHP1.51 billion last year. Lower volume sold explains the decrease in total cost. However, Cost of Sales per KWh increased by 13% at PHP2.19 from PHP1.93 last year due to no unwashed coal utilized, as the latter is only fit for use (blending) by Unit 2 which is on shutdown.

The resulting consolidated Gross Profit increased 105% at PHP3.34 billion, with the coal and power segments each contributing PHP2.04 billion and PHP1.30 billion, respectively. Last year's consolidated Gross Profit stood at PHP1.63 billion billion, PHP220.99 million from coal and PHP1.41 billion from power. Consolidated Gross profit margin improved to 50% from 29% last year.

Consolidated Operating Expenses (OPEX) increased 81% YoY at PHP1.23 billion from PHP675.92 million. Net of eliminating entries, the coal segment’s OPEX increased 127% YoY at PHP901.29 million from PHP397.60 million last year since higher coal Revenues correspondingly increased Government Share by 157% at PHP791.20 million from PHP307.65 million last year. Meanwhile, the power segment's OPEX after elimination decreased 7% YoY at PHP254.49 million from PHP272.43 million last year due to lower Operations & Maintenance (O&M) Fees. 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 PHP69.96 million OPEX, representing non-capitalizable expenses incurred during the period. Other pre-operating subsidiaries incurred combined OPEX of PHP99.52 thousand.

The devaluation of the PHP against the USD resulted to consolidated Forex Losses of PHP98.83 million as against gains of PHP68.32 million last year. Since most of its loans are USD-denominated, bulk of this year's Forex Losses is attributed to the coal segment, accounting for PHP91.94 million versus last year's gains of PHP69.91 million. Meanwhile, with minimal Forex exposure, the power segment incurred Forex Losses of PHP6.82 million as against PHP1.58 million last year.

Higher cash, partially offset by lower placement interest rates, resulted to 41% increased YoY on consolidated Finance Income at PHP10.32 million from PHP7.31 million last year. Higher investible funds earned the coal and power segment PHP2.00 milion and PHP7.75 million Finance Income, respectively. SLPGC also earned PHP525 thousand from placements of undisbursed funds.

Consolidated Finance Costs decreased 13% YoY at PHP63.06 million from PHP72.29 million. The coal segment's interest-bearing loans dropped 11% YoY at PHP4.96 billion from PHP5.57 billion last year. However, with higher borrowing rates this period compared last year, coal Finance Costs increased 18% YoY at PHP29.38 million from PHP24.95 million last year. Meanwhile, the power segment's total ending interest-bearing loans balance dropped 24% at PHP4.96 from PHP6.53 billion last year. As a result, its Finance Cost dropped 31% YoY at PHP32.40 million from PHP47.03 million last year. SLPGC recorded uncapitalizable Finance Cost of PHP1.28 million during the period.

Consolidated Other Income increased 9% YoY at PHP60.01 million from PHP54.83 million last year. The coal segment's Other Income in the current period of PHP43.33 million is mainly insurance recoveries. Meanwhile, the power segment's Other Income decreased 69% YoY at PHP16.68 million from PHP54.02 million last year as lower fly ash is produced with only one plant running.

The resulting consolidated Net Income Before Tax (NIBT) increased 100% YoY at PHP2.01 billion from PHP1.01billion last year.

Both operating business units enjoy Income Tax Holidays (ITH) as Board of Investments-registered companies. With these tax holidays, consolidated Provision for Income Tax remained minimal at PHP2.32 million, 69% higher than last year's PHP1.38 million as a result of higher taxable income.

The resulting consolidated Net Income After Tax (NIAT) doubled YoY at PHP2.02 billion from PHP1.01 billion last year. Net of eliminations, coal and power contributed PHP1.06 billion and PHP1.03 billion, respectively. Pre-operating SPLGC incurred non-capitalizable project expenses, thus recording losses amounting to PHP70 million. Before eliminations, coal and power recorded NIAT of Php1.32 billion and Php738 million, respectively. Earnings per Share (EPS) correspondingly increased 100% YoY at PHP5.68 from PHP2.83 last year.

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

Consolidated cash provided by operating activities in the current quarter amounted to PHP4.18 billion. Consolidated loan availments totaled to PHP2.16 billion, representing availments of SLPGC from its project financing facility. Combined with beginning Cash of PHP4.82 billion, total consolidated Cash available during the period stood at PHP11.11 billion.

Of the available cash, PHP3.28 billion was used to fund major CAPEX, largely going to the power expansion amounting to PHP2.85 billion; while coal and power accounted for PHP91.14 million and PHP340.37 million, respectively.

Meanwhile, PHP1.93 billion was spent for debt repayments, PHP384.00 million for the current quarter amortization of long-term debt of power, while the balance was spent for the coal segment's loan settlements.

Consolidated Cash net cash generated during the period amounted to PHP1.08 billion. With a beginning balance of PHP4.82 billion, consolidated Ending Cash closed at PHP5.90 billion, almost 7x Q1 last year's cash level of PHP753.73 million.

Current ratio improved to 1.71x from 1.10x in Q1 2013.

C. <u>Financial Condition</u>

Consolidated Total Assets stood at PHP47.00 billion, posting a 5% increase from beginning balance of PHP44.73 billion. After eliminations, the coal and power segments' Total Assets closed at PHP10.67 billion and PHP21.68 billion, respectively. SLPGC, SBPG, SRPG, SCS, SEU, SCRC and SCIP recorded Total Assets of PHP14.57 billion, PHP3.13 million, PHP3.13 million, PHP67.24 million, PHP3.14 million, PHP7.70 million and PHP2.62 million, respectively.
Consolidated Current Assets closed at PHP14.44 billion, with a slight 2% drop compared to beginning balance of PHP14.80 billion. Coal, power, SLPGC, SBPG, SRPG, SCS, SEU, SCRC and SCIP accounted for PHP6.83 billion, PHP6.25 billion, PHP1.33 billion, PHP 3.13 million, PHP 3.13 million, PHP2.66 million, PHP 3.14 million, PHP 7.70 million, and PHP2.62 million, respectively.

Consolidated Cash and Cash Equivalents increased 22% at PHP5.90 billion from PHP4.82 billion beginning balance. Strong export sales boosted the coal segment's cash inflows which closed at PHP1.95 million. Meanwhile, the power segment, with cash closing at PHP2.63 billion continued to generate cash from its BCQ sales, while SLPGC had undisbursed cash amounting to PHP1.30 billion as at the end of the quarter.

Consolidated net Receivables decreased 26% at PHP3.00 billion from PHP4.03 billion beginning balance. Power receivables which ballooned to PHP1.57 billion accounts for the uncollected spot sales in Q4 2013. The coal segment's receivables of PHP1.42 billion is likewise mainly trade related.

Included in the Receivable is PHP120.04 million due from related parties, an increase of 59% from PHP75.55 million lat year. These accounts pertains to downpayment/deposit made for service contracts and transfer of materials and supplies. The parent and SCPC accounts for PHP75.47 million and PHP44.57 million.

Consolidated Net Inventories slightly dropped by 2% at PHP4.56 billion from PHP4.63 billion beginning balance. The coal segment's ending Inventory of PHP3.02 billion is mainly comprised of cost of ending coal inventory and materials and supplies, while the power segment's Inventory of PHP1.54 billion is mainly comprised of coal inventory and spareparts inventory for corrective, preventive and predictive maintenance program.

Consolidated Other Current Assets decreased 26% at PHP976.48 million from PHP1.32 billion as at end of 2013. The coal segment's Other Current Assets of PHP440.71 million is mainly comprised of prepaid income taxes. On the other hand, the power segment's Other Current Assets of PHP506.69 million mainly accounted for Advances Suppliers and prepaid income taxes.

Consolidated Non-Current Assets rose 9% at PHP32.57 billion from PHP29.93 billion as at end of 2013. Coal, power, SLPGC, and SCS accounted for PHP3.84 billion, PHP15.42 billion, PHP13.24 billion, and PHP64.58 million, respectively.

Consolidated net PPE increased 10% to PHP30.01 billion from PHP27.29 billion beginning balance. The increase is due to additional PPE recorded by SLPGC. Coal, power, and SLPGC accounted for net PPE of PHP3.18 billion, PHP14.81 billion, and PHP12.03 billion, respectively.

Consolidated Investments remained at almost the same level at PHP518.96 million from PHP517.60 million beginning balance. This accounts for the sinking fund maintained by the power segment.

No movement was recorded in Consolidated Deferred Tax Assets which closed at PHP139.97 million. Coal, power, and SCS accounted for PHP135.18 million, PHP4.74 million, and PHP43 thousand, respectively.

Similarly, no movement was also recorded in Exploration and Evaluation Asset which accounts for pre-stripping and mine development for Bobog mine. The account closed at PHP348.15 million.

Consolidated Other Non-Current Assets dropped 5% to PHP1.55 billion from PHP1.64 billion as at end of in 2013. This is mainly comprised of input VAT withheld of Php164.53 million net of impairment allowance, advances for long-term construction contracts and prepaid rent of Php1.31 billion, and other miscellaneous non-current assets amounting to Php77.75 million. Coal, power, SLPGC, and SCS accounted for Other Non-Current Assets of PHP177.74 million, PHP89.91 million, PHP1.22 billion, and PHP64.54 million, respectively.

Consolidated Total Liabilities slightly increased 1% only at PHP24.85 billion from PHP24.60 billion beginning balance. Coal, power and SLPGC accounted for PHP8.96 billion, PHP6.49 billion, and PHP9.40 billion, respectively.

While the power expansion incurred additional drawdowns from its project finance facility, the power and coal segments paid down existing debts, hence, offsetting SLPGC's loan availments.

Consolidated Total Current Liabilities decreased by 16% at PHP8.42 billion from PHP9.99 billion beginning balance. Coal, power, and SLPGC accounted for PHP4.92 billion, PHP2.64 billion, and PHP857.95 million, respectively.

Consolidated Trade and Other Payables slightly decreased by 0.3% at PHP6.16 billion from PHP6.19 billion beginning balance. Coal, power, and SLPGC respectively accounted for PHP4.00 billion, PHP1.51 billion, and PHP853.01 million Trade and Other Payables.

Included in the Trade and other payables are accounts with related parties amounting to PHP563.82 million a decrease of 36% from PHP878.82 million last year. These accounts arise from various service contracts entered into with related parties such as construction of various facilities, drilling and exploration, hauling, rental and aviation services. The parent and SLPGC accounts for PHP558.87 million and PHP4.94 million respectively.

Short-term loans decreased by 57% at PHP704.22 million from PHP1.65 billion beginning balance. This accounts for working capital loans of the coal segment; all short-term loans of the power segment were fully serviced as at the end of the period.

Consolidated Current Portion of Long-Term Debt also decreased 28% at PHP1.56 billion from PHP2.15 billion beginning balance after debt service of maturing loan amortizations. Coal and power segments accounted for PHP420.17 million and PHP1.14 billion, respectively.

Consolidated Total Non-Current Liabilities increased by 12% at PHP16.43 billion, from PHP14.61 billion beginning balance due to additional loan availments by SLPGC. Coal, power, and SLPGC accounted for PHP4.04 billion, PHP3.85 billion and PHP8.54 billion, respectively.

Consolidated Long-Term Debt increased by 13% at PHP15.49 billion from PHP13.66 billion beginning balance. Coal, power, and SLPGC accounted for PHP3.83 billion(net of current portion), PHP3.83 billion and PHP7.84 billion, respectively.

Consolidated Pension Liability slightly increased by at PHP31.89 million from PHP31.65 million beginning balance. Coal and power accounted for PHP21.40 million and PHP10.49 million, respectively.

Provision for Decommissioning and Site Rehabilitation remained flat at PHP196.50 million as there was no additional provision during the quarter. Coal and power accounted for PHP185.89 million, PHP10.62 million, respectively.

Other non-current liabilities, which accounts for retention payments on contracts under SLPGC slightly dropped by 2% at PHP705.75 million from 723.35 million beginning balance.

After accounting for income generation of PHP2.02 billion during the period, consolidated Stockholders' Equity increased by 10% at PHP22.15 billion from PHP20.13 billion beginning balance.

Debt-to-Equity ratio improved by 8% at 1.12:1 from 1.22:1 as at the start of the year.

IV. PERFORMANCE INDICATORS:

1. **Earnings per Share** – Higher Net Income After Tax this period correspondingly resulted to a higher EPS for the quarter despite the challenges both business segments are facing, profitability improved with the cost saving measures implemented.

2. **Debt-to-Equity Ratio** – The Company's expansion activities require additional financing. DE ratio remains at a healthy level with strong profitability. This measure of financial soundness improve the Company's negotiating leverage in pricing its borrowings.

3. **Business Expansion** – While power is the growth driver of the Company, coal remains to be its core business. In the current period where the existing power units encountered technical problems, strong performance of the coal segment boosted profitability of the Company.

4. **Expanded Market** – With the gap in export and local prices narrowing in the current period as compared to last year, the Company was able to ship out more export sales. This effectively offset the slump in local deliveries.

   Meanwhile, the reduced energy generation mostly went to contracted sales. Minimal volume was sold to spot.

5. **Improved coal quality** – Mining activities during the period are in an area where coal quality is better at an average of around 10,000 Btu. (5,600 kcal). This explains why composite average price improved despite low global coal prices.

PART II OTHER INFORMATION

Other disclosures:

a. The Group's operation is not cyclical in nature or seasonal. Mining activities is continuous throughout the year;
b. There were no issuances, repurchases, and repayments of debt in equity securities which transpired during the quarter;
c. There are no subsequent events, that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements;
d. The Group has no contingent assets nor liabilities known as of financial position date.

PART III SIGNATURES

Pursuant to the requirement of the Revised Securities **Code**, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **SEMIRARA MINING CORPORATION**

Signature and Title:

VICTOR A. CONSUNJI
Principal Executive and Operating Officer
Date: May 14, 2014

JUNALINA S. TABOR
Chief Finance Officer
Principal Financial Officer/Comptroller
Date: May 14, 2014

LEANDRO D. COSTALES
Principal Accounting Officer
Date: May 14, 2014

PART IV - ANNEX A

SEMIRARA MINING CORPORATION
AGING OF ACCOUNTS RECEIVABLE

(in Php000)	TOTAL	Current	2 - 3 Mon	4 - 6 Mon	7 Mon - 1 Yr	Allow for DA
A. AR TRADE RECEIVABLES						
COAL						
			-	-		
PNOC	56,815	56,815	-	-	-	-
APO	29,617	29,617	-	-	-	-
JPC	80,843	80,843	-	-	-	-
SOLID	38,524	38,524	-	-	-	-
EXPORT	387,319	348,929	8,647		29,743	29,743
HOLCIM	127,077	98,925	28,152	-	-	-
CCC	33,947	33,947	-	-	-	-
CEDC	102,070	102,070	-	-	-	-
PEDC	86,016	86,016	-	-	-	-
ECC	43,983	43,983	-	-	-	-
LRI	201,052	108,591	92,462	-	-	-
UPPC	10,826	10,826	-	-	-	-
PETRON	142,685	115,750	26,935	-	-	-
APEC	24,568	24,568	-	-	-	-
POWER						
MERALCO	808,561	395,838	-	-	412,722	467,431
MERALCO RES	194,929	194,929	-	-	-	
PEMC	787,305	42,501	451,266	-	293,537	
TRANS-ASIA OIL & ENERGY	90,116	90,116	-	-	0	
BATELEC	52,755	52,755	-	-	-	
POZZOLANIC	9,055	8,914	-	-	142	
STEEL CORP	4,312	4,312	-	-	0	
PUYAT STEEL	4,090	4,090	-	-	-	
JORAM	1,151	1,151	-	-	-	
ECSCO	974	974	-	-	-	
PSALM	25,940	-	-	-	25,940	
ABOITIZ POWER	7	-	-	-	7	
TEAM ENERGY	31	-	-	-	31	
	3,344,567	**1,974,982**	**607,462**	**-**	**762,123**	**497,174**
Less: Allowance for doubtful account	497,174					
	2,847,393					
B. NON - TRADE RECEIVABLES						
COAL						
Advances-Officers & employees	1,186	1,186	-	-	-	
Advances-Contractors	10,971	10,971	-	-	-	-
Advances-For liquidation	8,709	8,709	-	-	-	-
Advances-SSS Claims	529	529	-	-	-	-
Advances-medical accounts & others	2,418	2,418	-	-	-	-
POWER						
Advances - officers & employees	363	363	-	-	-	-
Advances-For liquidation	4,349	4,349	-	-	-	-
Advances-SSS Claims	4	4	-	-	-	-
Other receivables	2,137	2,137	-	-	-	-
Adv.for Govt Institutions	5,785	5,785				
	36,452	**36,452**	**-**	**-**	**-**	**-**
Less: Allowance for D/A-AR Others	5,815					
Net NON - TRADE RECEIVABLE						
	30,636					
C. DUE FROM AFFILIATED COMPANIES						
	120,043					
NET RECEIVABLES (A + B + C))						
	2,998,072					

SEMIRARA MINING CORPORATION
FINANCIAL RISK MANAGEMENT DISCLOSURES
As of March 31, 2014

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 March 31, 2014 and 2013.

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):

	03/31/2014	12/31/2013
Domestic Market	36.69%	55.43%
Export Market	63.31%	44.57%
as a percentage of total coal sales volume		

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of March 31, 2014 and December 31, 2013 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 2014 and 2013.

Based on ending coal inventory	Effect on income before income tax	
Change in coal price	03/31/2014	12/31/2013
Increase by 17% in 2014 and 42% in 2013	1,202,888,553	1,022,494,329
Decrease by 1% in 2014 and 42% in 2013	(1,202,888,553)	(1,022,494,329)

Based on coal sales volume	Effect on income Before income tax	
Change in coal price	03/31/2014	12/31/2013
Increase by 17% in 2014 and 42% in 2013	876,000,518	5,643,685,176
Decrease by 1% in 2014 and 42% in 2013	(876,000,518)	(5,643,685,176)

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term 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.

		March 31, 2014					
	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%**	**5,901,894**	**-**	**-**	**-**	**-**	**5,901,894**
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**	**344,915**	**-**	**-**	**-**	**-**	**344,915**
$59.59 million loan (USD)	**Floating rate to be repriced**	**458,262**	**700,632**	**1,511,734**	**-**	**-**	**2,670,628**
	every 90 days	**-**	**-**	**-**	**-**	**-**	**-**
$35.00 million loan (USD)	**Floating rate, aggregate of the margin (1.20%) and LIBOR, to be repriced every 90 to 180 days**	**103,075**	**210,631**	**1,254,820**	**-**	**-**	**1,568,525**
$3.42 million loan (USD)	**Floating rate**	**-**	**153,314**	**-**	**-**	**-**	**153,314**
Mortgage payable at floating rate	**PDST-F benchmark yield for three-month treasury securities + 1.00%**	**-**	**201,121**	**840,162**	**840,907**	**5,952,225**	**7,834,415**
	PDST-F benchmark	**1,519,639**	**1,525,049**	**1,530,478**	**383,641**	**-**	**4,958,807**
	yield for 3-month	**-**	**-**	**-**	**-**	**-**	**-**
	treasury securities	**-**	**-**	**-**	**-**	**-**	**-**
	1.75%	**-**	**-**	**-**	**-**	**-**	**-**
		2,080,975	**2,790,747**	**5,137,194**	**1,224,548**	**5,952,225**	**17,185,689**

		December 31, 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**	**-**	**-**	**1,553,825**
$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**	**840,162**	**840,907**	**3,793,311**	**5,675,501**
	PDST-F benchmark yield for 3-month treasury securities 1.75%	**1,519,639**	**1,525,049**	**1,530,478**	**767,281**	**-**	**5,342,448**
		2,146,129	**3,149,752**	**5,111,267**	**1,608,188**	**3,793,311**	**15,808,647**

The following table demonstrates the sensitivity of the Group's income before tax to a reasonably possible change in interest rates on March 31, 2014 and 2013, with all variables held constant, through the impact on floating rate borrowings.

	Effect on income before income tax	
Basis points (in thousands)	**03.31.2014**	**12.31.2013**
+100	**(171,857)**	**(158,086)**
-100	**171,857**	**158,086**

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 March 31, 2014 and 2013 based on undiscounted contractual payments:

March 31, 2014	Within 6 months	Next 6 months	1-2 years	2-3 years	More than 3 years	Total
Cash and cash equivalents	5,901,894					5,901,894
Receivables						
Trade - outside parties	3,236,941		7	30,240	77,378	3,344,567
Trade - related parties	120,043					120,043
Others	35,919					35,919
Investment in sinking fund					516,157	516,157
Environmental guarantee fund					1,500	1,500
	9,294,796	-	7	30,240	595,035	9,920,079
						9,920,079
Trade and other payables						
Trade	4,315,344	-	-	-	-	4,315,344
Accrued expenses and other payables	749,549	-	-	-	-	749,549
Due to related parties	563,817	-	-	-	-	563,817
Short term loans	704,220	-	-	-	-	704,220
Long term debt at floating rate	-					-
$7.70 million loan (USD) with interest payable in arrears	1,773	1,756	345,195	-	-	348,725
$59.59 million loan (USD) with interest payable in arrears	17,140	546,550	744,000	1,516,279	-	2,823,968
$35.00 million loan (USD) with interest payable in arrears	9,323	111,431	226,077	1,257,977	-	1,604,808
$3.42 million loan (USD) with interest payable in arrears	1,261	1,261	154,399	-	-	156,921
PDST-F benchmark yield for 3-month treasury securities + 1.00(	104,473	104,473	208,947	875,004	4,851,931	6,144,829
PDST-F benchmark yield for 3-month treasury securities + 1.75(	779,957	780,372	1,594,101	1,605,964	809,336	5,569,730
	7,246,857	1,545,844	3,272,719	5,255,223	5,661,267	22,981,912
	2,047,938	(1,545,844)	(3,272,712)	(5,224,983)	(5,066,232)	(13,061,833)
December 31, 2013						
Cash and cash equivalents	4,812,938					4,812,938
Receivables						-
Trade - outside parties	3,788,916	-	7	30,240	77,378	3,896,542
Trade - related parties	75,554					75,554
Others	48,948	-				48,948
					[illegible]	[illegible]
Environmental guarantee fund					1,500	1,500
	8,726,356	-	7	30,240	596,482	9,353,085
Trade and other payables						
Trade	3,256,554	-	-	-	-	3,256,554
Accrued expenses and other payables	338,789	-	-	-	-	338,789
Due to related parties	878,822	-	-	-	-	878,822
Short term loans	1,655,080	-	-	-	-	1,655,080
Long term debt at floating rate	-					
$7.70 million loan (USD) with interest payable in arrears	1,756	1,756	345,195	-	-	348,708
$61.79 million loan (USD) with interest payable in arrears	17,140	546,550	744,000	1,516,279	-	2,823,968
$35.00 million loan (USD) with interest payable in arrears	9,323	111,431	226,077	1,257,977	-	1,604,808
$3.42 million loan (USD) with interest payable in arrears	1,261	1,261	154,399	-	-	156,921
PDST-F benchmark yield for 3-month treasury securities + 1.00(	104,473	104,473	208,947	875,004	4,851,931	6,144,829
PDST-F benchmark yield for 3-month treasury securities + 1.75(	779,957	780,372	1,594,101	1,605,964	809,336	5,569,730
	7,043,156	1,545,844	3,272,719	5,255,223	5,661,267	22,778,210
	1,683,200	(1,545,844)	(3,272,712)	(5,224,983)	(5,064,786)	(13,425,125)

(in Php000)

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, 52.37% and 26.66% of the Group's sales as of March 31, 2014 and 2013, respectively, were denominated in US$ whereas approximately 32.33% and 25.55% of debts as of March 31, 2014 and 2013, respectively, were denominated in US$.

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

		March 31, 2014			December 31, 2013		
			Peso				Peso
		U.S. Dollar	**Equivalent**		U.S. Dollar		Equivalent
Assets							
Cash and cash equivalents	**$**	**10,912,964**	**471,440,054**	$	18,318,751		813,260,942
Trade receivables		**8,965,711**	**387,318,731**		10,654,649		473,013,142
	$	**19,878,676**	**858,758,785**		28,973,400		1,286,274,084
Liabilities							
Trade payables	**$**	**(13,263,356)**	**(572,976,989)**		(21,816,839)		(968,558,569)
Short-term loans		**(10,846,309)**	**(486,077,346)**		(32,367,091)		(1,436,937,001)
Long-term debt (including current portion)		**(94,863,433)**	**(4,251,304,742)**		(107,910,746)		(4,790,697,569)
	$	**(118,973,098)**	**(5,310,359,076)**		(162,094,676)		(7,196,193,139)
Net foreign currency denominated assets (liabilities)	**$**	**138,851,774**	**6,169,117,862**	$	(133,121,276)	$	(5,909,919,055)

The spot exchange rates used in March 31, 2014 and December 31, 2013 were 44.815 to US$1 and 44.395 to US$1, 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 March 31, 2014 and 2013.

Reasonably possible change in foreign exchange rate for every five units of Philippine Peso		Increase (decrease) in profit before tax **31-Mar-14**	31-Dec-13
	2	**277,703,548**	(266,242,552)
	(2)	**(277,703,548)**	266,242,552

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.

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:

	03.31.2014	12.31.2013
Trade receivable - outside parties	**95.54%**	**96.65%**
Trade receivable - related parties	**3.43%**	**1.87%**
Others	**1.03%**	**1.48%**
Total	**100.00%**	100.00%

As of March 31, 2014 and 2013, the credit quality per class of financial assets is as follows

	03.31.2014				
	Neither Past Due nor Impaired		Substandard Grade	Past due and/or Individually Impaired	Total
	Grade A	Grade B			
Cash in banks and cash equivalents	**5,901,894**	-	-	-	**5,901,894**
Receivables:					-
Trade receivables - outside parties	**1,974,982**	**607,462**	-	**762,123**	**3,344,567**
Trade receivables - related parties	**120,043**	-	-	-	**120,043**
Others	**30,103**	-	-	**5,815**	**35,919**
Environmental guarantee fund	**1,500**	-	-	-	**1,500**
Investment in sinking fund	**518,958**	-	-	-	**518,958**
Total	**8,547,480**	**607,462**	-	**767,938**	**9,922,880**

	12.31.2013				
	Neither Past Due nor Impaired		Substandard	Past due and/or Individually	
	Grade A	Grade B	Grade	Impaired	Total
Cash in banks and cash equivalents	**4,812,938**	-	-	-	**4,812,938**
Receivables:	-	-	-	-	-
Trade receivables - outside parties	**2,149,726**	**1,481,867**	-	**762,123**	**4,393,716**
Trade receivables - related parties	**75,554**	-	-	-	**75,554**
Others	**43,133**	-	-	**5,815**	**48,948**
Environmental guarantee fund	**1,500**	-	-	-	**1,500**
Investment in sinking fund	**517,603**	-	-	-	**517,603**
Total (000)	**7,600,453**	**1,481,867**	-	**767,938**	**9,850,259**

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 March 31, 2014 and 2013, the aging analyses of the Group's past due and/or impaired receivables presented per class are as follows:

	03.31.2014			
	Past Due but not Impaired		Impaired Financial	
	<45 days	45-135 days	Assets	Total
Receivables				
Trade receivables - outside parties	-	**264,949**	**497,174**	**762,123**
Others	-	-	**5,815**	**5,815**
Total (000)	-	**264,949**	**502,989**	**767,938**

	12.31.2013			
	Past Due but not Impaired		Impaired Financial	
	<45 days	45-135 days	Assets	Total
Receivables				
Trade receivables - outside parties	**205,774**	**59,175**	**497,174**	**762,123**
Others	-	-	**5,815**	**5,815**
Total (000)	**205,774**	**59,175**	**502,989**	**767,938**

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 March 31, 2014 and 2013.

	3/31/2014	12/31/2013
Interest Bearing Loan	**17,752,478,275**	15,808,646,351
Total equity	**22,149,085,371**	20,127,511,704
Debt to Equity Ratio	**80.15%**	78.54%
EPS	**23.01**	21.11

The aggressive expansion and investment strategies of the Group resulted to higher Debt-to-Equity ratios in 2014 and 2013. 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 March 31, 2014 and 2013:

	03.31.2014	12.31.2013
Total paid-up capital	**7,031,777,411**	7,031,777,411
Remeasurement losses on pension plan	**(5,876,670)**	(5,876,670)
Retained earnings - unappropriated	**12,823,184,629**	10,801,610,963
Retained earnings - appropriated	**2,300,000,000**	2,300,000,000
	22,149,085,370	20,127,511,704

Fair Values

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 March 31, 2014 and 2013, 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 March 31, 2014 and 2013 the Group does not have financial instruments measured at fair value.

SEMIRARA MINING CORPORATION AND SUBSIDIARIES
COMPARATIVE FINANCIAL SOUNDNESS INDICATORS
AS OF MARCH 31, 2014 AND 2013

Financial Soundness Indicator	2014	2013
i. Liquidity ratios:		
Current ratio	171%	110%
Quick ratio	117%	69%
ii. Leverage ratios:		
Debt-to-equity ratio	80%	70%
Interest coverage ratio	3210%	1378%
iii. Management ratios:		
Accounts receivable turnover ratio	215%	147%
Return on assets ratio	4%	3%
Return on equity ratio	10%	6%
iv. Asset-to-equity ratio	212%	203%
v. Profitability ratios:		
Gross margin ratio	50%	29%
Net profit margin ratio	30%	18%
vi. Solvency ratios		
Current liabilities to net worth ratio	38%	59%
Total liabilities to net worth ratio	112%	104%