PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

1. Business Development

Vivant Corporation (Vivant or the Company) is a publicly listed holding company that, through its subsidiaries and affiliates, has interests in various companies engaged in the electric power generation (renewable and non-renewable energy), electric power distribution, and retail electricity supply business. The Garcia-Escaño family of Cebu (the Family) collectively owns approximately 76% of the outstanding capital stock of Vivant as of March 31, 2014.

Vivant's origins can be traced back to the rich and humble beginnings of Viuda y Hijos de F. Escaño Incorporada, the successor of the enterprise that Don Fernando Escaño founded in 1879, which came to be known as Hijos de F. Escaño Inc. (HDFE). The entry into the power industry dates back to the early 1900s when the Family diversified its business interests (mainly shipping and trade) to include electricity power distribution when it took over the operations of the Visayas Electric Company (VECO). VECO was the power distribution utility serving the electricity requirements of the City of Cebu and its surrounding municipalities.

The Second World War caused significant damage in the facilities of VECO. It was during the close of the war in 1945 that initiatives of VECO, alongside with the US Army, allowed the resumption of its operations to its pre-war levels. Staff levels were beefed up, while investments in new machineries and equipment poured in. Currently, VECO stands as the second largest privately owned electric power distribution utility in the Philippines in terms of annual gigawatt-hour (GWh) sales. As of end-2013, Vivant has an effective equity interest of approximately 35% in VECO (accounting for both direct and indirect shareholdings).

In 2003, the Family acquired 99% of Philstar.com, a company listed in the Philippine Stock Exchange (PSE). Subsequently, the Family's holdings in HDFE and VECO were infused to this company. Philstar.com was afterward renamed Vivant Corporation.

Starting in 2007, Vivant, through its subsidiaries and affiliates, started its foray into the power generation business via equity investments in the following generation companies:

- Cebu Private Power Corporation, owner and operator of a 70 megawatts (MW) diesel-fired power plant located in the island of Cebu;
- Delta P, Inc., owner and operator of a 16 MW diesel-fired power plant in Palawan; and
- Cebu Energy Development Corporation, a project company that owns and operates a 246 MW coal-fired power plant in Toledo City, Cebu.

The Company likewise participated in the government's privatization efforts conducted by the Power Sector Assets and Liabilities Management (PSALM):

- Acquisition of the 0.8 MW Amlan hydroelectric power plant in Negros island in 2009
- Appointment as the Independent Power Producer (IPP) Administrator of the 70 MW Bakun hydroelectric power plant in Alilem, Ilocos Sur in 2009

In 2010, Vivant, through one of its subsidiaries, entered into an agreement with the Provincial Government of La Union (PGLU) for the management and operation of the 225 MW Bauang diesel-fired power plant.

In April 2013, the Company, through one of its associates, broke ground for the construction of the 8 MW bunker- and 750 kW diesel-fired power plants in the municipalities of Coron and Busuanga, respectively. The plants are expected to start providing power to the local distribution utility via a bilateral agreement in 2014.

In November 2013, Vivant, through wholly owned subsidiary Vivant Energy Corporation (VEC), participated in the public bidding process conducted by PSALM for the selection and appointment of the IPP Administrator for the Strips of Energy of the Unified Leyte Geothermal Power Plants (ULGPP) located at Tongonan, Leyte. On January 29, 2014, PSALM has declared and selected VEC as the Winning Bidder for Seventeen (17) Strips of Energy of the ULGPP.

Neither Vivant nor any of its subsidiaries and associates has ever been the subject of any bankruptcy, receivership or similar proceedings.

2. Business of Issuer

Through its equity interests in its subsidiaries and associates, Vivant is in the business of electric power generation, electric power distribution and retail electricity supply in the Philippines, particularly in the islands of Luzon and Visayas (Please see Exhibit “A” for Vivant’s Corporate Structure).

(i) Principal Products

POWER GENERATION

As of end-2013, VEC holds all of Vivant’s interests in the electric power generation business. To date, the Company has built up a portfolio comprised of both renewable and non-renewable power generation plants with total attributable capacity of 225 MW. As of December 31, 2013, approximately 50% of Vivant’s net income from business segments was accounted for by its power generation business.

The table below summarizes the operating results of the generation companies as of December 31, 2013.

Generation Companies	Energy Sold[1] (in GWh)			Revenue[1] (in Php million)		
	2011	2012	2013	2011	2012	2013
CPPC	109.8	174.9	164.5	1,551.3	2,099.5	1,801.3
Delta P	59.5	64.5	62.4	730.7	812.4	738.0
CEDC	1,329.8	1,492.3	1,477.4	7,646.4	8,719.0	7,698.6
AHPC[2]	1.5	--	0.1	6.4	--	0.4
NR	250.9	37.9	241.2	998.1	198.8	943.3
1590 EC	72.4	142.2	175.6	1,298.5	2,638.6	2,593.0
CIPC	--	--	0.1	--	--	1.0

Notes:
1. *Figures are at 100%*
2. *AHPC ceased operations in 2012 after plant facilities were damaged by Typhoon Sendong in December 2011. Operation of one unit (out of 2) resumed in November 2013.*
3. *CIPC's Busuanga Power Station commenced commercial operations in December 2013.*

Cebu Private Power Corporation (CPPC)

Incorporated on July 13, 1994, CPPC owns and operates one of the largest diesel power plants in the island of Cebu – the 10 Caterpillar-Mak-powered 70MW Bunker C-fired power plant situated on a 1.8 hectare in the old VECO compound at Bgy. Ermita, Cebu City.

Commissioned in 1998, the CPPC plant was constructed pursuant to a build-operate-transfer (BOT) contract to supply 62 MW of power to VECO.

On April 20, 2007, Vivant acquired from East Asia Utilities Corporation 40% of the outstanding common shares of CPPC. The remaining 60% of the outstanding common shares was acquired by Aboitiz Power Corporation (AP).

In December 2010, CPPC started selling its excess capacity to the Wholesale Electricity Spot Market (WESM).

In July 2013, CPPC and VECO filed an application for a new 10-year Power Supply Agreement (PSA) with the ERC. Upon approval and implementation, the new agreement will redound to a slightly lower electricity rate for VECO.

Delta P, Inc. (DPI)

Established in 1997, DPI is an independent power producer in Palawan operating a 16-MW bunker-fired power plant with four (4) units of 4-MW generator sets. In March 2007, Gigawatt Power Inc. (GPI) acquired the 100% interest of Wärtsilä Technology Oy Ab in DPI. In June 2007, GPI divested and sold a 20% equity stake in DPI to Vivant. Through wholly owned subsidiary VEC, Vivant's equity stake increased to 35% in October 2007 through an additional share acquisition from GPI.

The power plant facility of DPI is located on a 25,981 sq.m. parcel of land leased from the City Government of Puerto Princesa at Kilometer 13, North National Highway, Barangay Santa Lourdes, Puerto Princesa, Palawan. Commercial operations started in May 1997 by virtue of a Lease Agreement with the National Power Corporation (NPC), which was scheduled to expire in April 2009. The power generated by the plant served the electricity requirements of the Palawan Electric Cooperative (PALECO).

On February 6, 2009, DPI and PALECO signed a PSA for DPI to directly supply PALECO'S power requirements for the next 10 years. DPI and PALECO filed a joint petition with the Energy Regulatory Commission (ERC) for the approval of the PSA, which the latter granted on November 9, 2009.

Abovant Holdings, Inc. (Abovant) and Cebu Energy Development Corporation (CEDC)

Abovant was established in 2007 as a joint venture between Vivant and AP. The company's main purpose was to invest in a new power plant to be built in Barangay Daanlungsod, Toledo City, Cebu. Abovant is 40% owned by Vivant (currently through wholly-owned Vivant Integrated Generation Corporation) and 60% owned by AP (currently through 100%-owned Therma Power, Inc.).

Abovant and Global Formosa Holdings, Inc. (Global Formosa), a joint venture between Global Business Power Corporation of the Metrobank Group and Formosa Heavy Industries, Inc., formed CEDC in December 2008 to build, own and operate a $450 million (mn) 3 x 82-MW coal-fired power plant located in Toledo, Cebu utilizing the latest Circulating Fluidized Bed (CFB) technology. Commercial operations commenced in 2011. With Abovant's 44% stake in CEDC (Global Formosa owns the remaining 56%), Vivant's effective interest in CEDC is at 17.6%.

In October 2009, CEDC signed an Energy Power Purchase Agreement (EPPA) with VECO for the supply of 105 MW of electricity for 25 years. The application for approval was filed with the ERC in the same year and was approved in February 2010. To date, CEDC has signed other EPPAs with electric cooperatives and distribution utilities in Cebu. The company's EPPAs will provide contracted minimum energy offtake with fuel cost as a pass through.

Amlan Hydroelectric Power Corporation (AHPC)

AHPC is the owner and operator of a 0.8 MW run-of-river hydroelectric power plant in Amlan in the Province of Negros Oriental, approximately 35 kilometers north of the provincial capital, Dumaguete City. Commissioned in 1962, it was the first power plant to be constructed in the Province of Negros Oriental. An agreement with PSALM was entered into for the purchase of the power plant in 2009. Total purchase price amounted to US$ 230,000.

In 2010, AHPC entered into a bilateral contract with Green Core Geothermal, Inc. (Green Core) that involves the purchase of Green Core of all the net energy output generated by the plant. The bilateral contract is scheduled to expire in December 2015.

At present, Vivant has a beneficial ownership of 28.5% in AHPC, through its 60%-owned VICS-Amlan Holdings Corporation that has a 47.5% equity stake in AHPC.

Vivant-Sta. Clara Northern Renewables Generation Corporation (NR)

In 2009, NR submitted the highest offer in the competitive bid conducted by PSALM for the appointment of the IPP Administrator of the contracted capacities of the 70-MW Bakun hydroelectric power plant located in Alilem, Ilocos Sur and the 30-MW Benguet hydroelectric power plants located in Benguet, Cordillera Administrative Region. The offer by NR resulted in a bid price of US$145 mn, as calculated in accordance with the PSALM's bid rules.

Under the IPP Administration Contract, NR will pay a series of monthly payments to PSALM for over a period of 16 years to January 2026 in consideration for the right to trade/market the electricity generated by the plants, either through the WESM or bilateral contracts. After the expiry of said contract, the power stations will be transferred to the company, subject to its acceptance. PSALM exercised the right to divide and segregate the contracted capacities of Bakun and Benguet in the latter part of 2010.

By virtue of the segregation done by PSALM, NR assumed the responsibility of selling only the Bakun plant's contracted capacity. The Bakun plant is located within the 13,213 hectare watershed area of the Bakun river in Ilocos Sur province in Northern Luzon, which taps the flow of the Bakun river to provide the plant with its generating power. The plant was constructed under the government's BOT scheme and is currently owned and being operated by Luzon Hydro Corporation (LHC).

VEC owns 46% of NR through its wholly owned subsidiary, VICS-Bakun Holdings Corporation.

1590 Energy Corporation (1590 EC)

In March 2010, a Memorandum of Agreement (MOA) was entered into between the PGLU, VEC and GPI wherein the parties agreed to enter into a Sale and Purchase Agreement (SPA) giving VEC and GPI exclusive right to purchase the Bauang diesel-fired power plant (Bauang plant) owned by the PGLU until July 25, 2010.

On July 22, 2010, the MOA was amended granting VEC and GPI the right to an interim management and operation of the Bauang diesel-fired power plant and an extension of the SPA for six months or until January 26, 2011. Hence, VEC and GPI incorporated 1590 EC in July 2010 to undertake all the rights, interests and obligations under the Interim Agreement. On September 10, 2010, VEC and GPI with the conformity of PGLU transferred all their rights, interests and obligations under the Interim Agreement to 1590 EC.

In December 2010, 1590 EC formally signified its intent to purchase the diesel power plant, thus, a Contract to Sell (CTS) was executed between 1590 EC and the PGLU, the closing of which was subject to certain conditions.

In May 2012, a Mutual Rescission Agreement (MRA) was entered into by 1590 EC and the PGLU, thus terminating the CTS. Simultaneously, a MOA was executed by both parties giving 1590 EC the right to preserve, maintain and operate, including the right to use and sell the power generated by the Bauang plant. This MOA is scheduled to expire in June 2013. In 2013, 1590 EC and the PGLU entered into an agreement to extend the term of the MOA up to end-2015.

VEC has a 52.7% equity stake in 1590 EC.

Vivant Malogo Hydropower, Inc. (VMHI)

VMHI was incorporated in June 2012 as the project company to implement a greenfield power plant project, which will involve the construction and operation of a series of run-of-river hydropower facility in Barangay Kapitan Ramon in Silay City, which is located in the northwestern section of the Negros island. VMHI will implement the project in phases, where Phase 1 will involve the construction and operation of a 6 MW power plant facility along the Malogo river. The company is in the process of obtaining necessary permits and contract approvals. Once done, construction will commence and is estimated to be completed after 22-24 months.

VEC has a 75% equity stake in VMHI as of end-2013.

Calamian Islands Power Corporation (CIPC)

CIPC was established in October 2010 as the project company to undertake the construction and operation of the 8 MW bunker- and 750 kW diesel-fired power plants in the municipalities of Coron and Busuanga, respectively. In August 2011, CIPC entered into a 15-year Power Sale Agreement with Busuanga Island Electric Cooperative covering the total capacity of the project. CIPC broke ground in April 2013. In December 2013, the Busuanga Power Station commenced its commercial operations. The completion and start of commercial operations of the Coron Power Station is scheduled within second quarter of 2014.

VEC has an equity stake of 50% in CIPC.

Future Projects

The Company continuously looks for opportunities in the power generation business, whether it be via greenfield, brownfield or acquisition. The Company conducts an extensive evaluation process before any proposed project is undertaken. Several factors are assessed and considered, which include but not limited to, the project's land use requirements, access to the grid, fuel supply availability and arrangements, permits and licenses, competitiveness of the plant and presence of potential offtakers.

Notwithstanding the review and evaluation process undertaken, the Company cannot give the assurance that a project, if implemented, will be successful. There is no assurance that the Company will eventually develop a particular project in the manner planned or at or below the cost estimated by the Company.

Electric Power Distribution

In addition to investments in the power generation sector, the Company has investments, both direct and indirect, in VECO, the second largest privately owned distribution utility in the Philippines in terms of customers and annual GWh sales. As of end-2013, Vivant has a beneficial ownership in VECO of roughly 35%.

Visayan Electric Company (VECO)

VECO, through its predecessor, has been in the distribution business since the early 1900s. It is an electric distribution utility engaged in the conveyance, distribution and sale of electric power pursuant to its legislative franchise, Republic Act No. 9339, and serves the electrical needs of four cities (Cebu, Mandaue, Talisay and Naga), and four municipalities (Consolacion, Liloan, Minglanilla, and San Fernando), all located in the Province of Cebu. Its franchise was granted by the Congress of the Philippines and is due to expire in 2030.

VECO's service coverage is about 672 square kilometers serving close to 367,000 customers with a peak demand of 433 MW and electricity sales of 2,417 GWh in 2013.

The table below summarizes the key operating statistics of VECO for 2013 and the past two years.

	Electricity Sold (MWh)	Peak Demand (MW)	# of Customers
2011	2,120,454	407	327,587
2012	2,300,959	412	341,611
2013	2,417,353	433	366,606

VECO is among the distribution utilities included in the third group (Group C) of private utilities to shift to Performance Based Regulation (PBR). The ERC issued its final determination on VECO's application for approval of its annual revenue requirements and performance incentive scheme under the PBR for the regulatory period July 1, 2010 to June 30, 2014.

VECO is on its fourth regulatory year of its annual revenue requirement under the PBR for the regulatory period 2011 to 2014.

Retail Electricity Supply Business

One of the objectives of the EPIRA law is to ensure the competitive supply of electricity at the retail level. With the implementation of the Open Access and Retail Competition (Open Access), large-scale customers will be allowed to source electricity from Retail Electricity Suppliers (RES) licensed by the ERC.

Vivant has prepared its organization for the Open Access with the establishment of two RES companies.

Prism Energy, Inc. (Prism Energy)

Prism Energy was incorporated in March 2009, as a joint venture between Vivant (40%) and AP (60%). The company obtained its five-year RES license in May 2012. Prism Energy is seen to service the requirements of the contestable customers in the Visayas region.

Corenergy, Inc. (Corenergy)

Corenergy is a wholly owned subsidiary of Vivant that is currently applying for its own RES license.

<u>(ii) Sales</u>

The table below sets forth comparative figures for revenue, profitability and assets.

(in Php mn)	2011	2012	2013
Gross Income	2,138.2	3,804.4	3,617.3
Operating Income	929.2	1,605.2	1,551.6
Total Assets	8,394.8	7,086.8	8,733.7

The operations of Vivant, its subsidiaries and associates are based only in the Philippines.

Revenue contribution by business grouping is as follows:

	2011*		2012*		2013	
	Php mn	%-tot	Php mn	%-tot	Php mn	%-tot
Power Generation	1,731.7	81	3,264.1	86	2,927.2	81
Power Distribution	380.5	18	485.7	13	650.1	18
Others	26.0	1	54.6	1	40.0	1
Total	2,138.2	100	3,804.4	100	3,617.3	100

**Restated due to impact of remeasurement of pension cost (PAS 19R)*

(iii) Distribution Methods of Products and Services

The generation companies sell their electricity either through the spot market or through bilateral power supply agreements with private distribution utilities, cooperatives and other large end-users.

Most of the generation companies have transmission service agreements with the National Grid Corporation of the Philippines (NGCP) for the transmission of electricity to the designated delivery points of their customers. Some have built their own transmission lines to directly connect to their customers.

The distribution company has an exclusive distribution franchise in the area where it operates. The utility has its own distribution network consisting of an extensive network of predominantly overhead lines and substations. An agreement with NGCP was likewise entered into to facilitate the use of NGCP’s transmission facilities to receive power from its IPPs, NPC and/or PSALM for distribution to its respective customers.

(iv) New Products and Services

Neither Vivant, nor its subsidiaries and associates, have any publicly-announced new product or service to date, apart from the ongoing Greenfield and/or rehabilitation projects being undertaken.

(v) Competition

Generation Business

Vivant, through the facilities of its power generation subsidiaries and associates located in Luzon and Visayas, faces competition from other power generation plants that supply electricity to the Luzon and Visayas Grids. Given the privatization of NPC-owned power generation facilities, the Company has to contend with local and multinational IPPs for signing power supply agreements and offering power supply through the WESM.

Another source of competition would be the onset of RES operations as a result of the retail competition brought about by the implementation of Open Access. It is expected that both foreign and Filipino-owned generation companies will set up their respective RES business to tap the contestable large end-users. Further competition can be brought about by entities that can establish RES operations by acting as demand aggregators.

Competition in the development of new power generation facilities, the acquisition of existing power plants and financing these undertakings could also be expected. Given the robust performance of the industry in the last couple of years, coupled with the strong showing of the Philippine economy, many investors have been attracted to participate and explore opportunities in the development of electric power generation projects, both in the renewable and non-renewable energy spectrum.

Distribution Business

VECO has an exclusive franchise to distribute electricity in the area covered by its franchise.

Under Philippine law, the franchise of any distribution utility may be renewed by the Congress of the Philippines, provided that requirements relating to the rendering of public services are met. VECO intends to apply for the extension of its franchise upon its expiry. Competition or opposition from third parties may arise while application for the extension of its franchise is underway. However, under the Philippine law, a party wishing to secure a franchise to distribute electricity must first obtain from the ERC a Certificate of Public Convenience and Necessity and shall prove that such party has the technical and financial capability to operate a distribution franchise. Ultimately, it is the Philippine Congress that has absolute discretion in determining whether to issue new franchises or renew existing franchises.

(vi) Sources of Raw Materials and Supplies

Generation Business

The Company's hydroelectric power generation plants harness the kinetic energy from the flow of water on rivers to generate electricity. These hydroelectric companies possess water permits issued by the National Water Resources Board (NWRB), which allow them to utilize a certain volume of water from the applicable source of water flow to generate energy.

In the case of the fossil-fired power generation plants, fuel supply contracts with various suppliers have been entered into. Oil-fired plants have existing medium-term (2-3 years) contracts with local large oil companies. The coal plant sources its fuel requirements via a combination of long-term supply contracts with various suppliers and the spot market.

Distribution Business

VECO secured bulk of its electricity requirements by entering into bilateral agreements with various IPPs. These agreements are governed by the ERC regulations. Under current rules, VECO is allowed to purchase up to 90% of its total electricity requirements via bilateral contracts.

Below are the existing power purchase agreements in place for VECO.

- NPC for the maximum monthly supply of 128,397 kW
- CPPC for 61.72 MW of dispatchable capacity (with no minimum energy off-take requirement)
- CEDC for the supply of 105 MW for 25 years (starting February 2011)
- Green Core for the supply of 60 MW at 100% load factor (5 year term starting December 26, 2010), an additional 15 MW at 100% load factor starting December 2011 and an additional 15 MW at 100% load factor starting January 2013

(vii) Major Customers

The bulk of the total attributable electricity generated and sold by Vivant, through its subsidiaries and associates, are sold to either private distribution utilities or electric cooperatives covered by long term bilateral agreements. The balance is sold through the spot market. For the year 2013, Vivant had a 65:35 sales mix that was in favor of energy sales covered by sale contracts.

Vivant's distribution business, on the other hand, has a wide and diverse customer base. The distribution utility's customers are categorized as follows:

- **Industrial customers**: consist of large-scale consumers of electricity within a franchise area, such as factories, plantations and shopping malls.

- **Residential customers**: consist of structures utilized for residential purposes

- **Commercial customers**: include service-oriented businesses, universities and hospitals

- **Other customers**: include streetlights

(viii) Transactions With and/or Dependence on Related Parties

Vivant and its subsidiaries and associates, in their regular conduct of business, have entered into related party transactions where Vivant, as parent company, provides two types of professional services: (1) strategic and technical and (2) corporate center services.

Functions covered would include regulatory, sales and marketing, technical operations, business development, corporate finance, corporate management systems, legal and human resources among others. These services are rendered by Vivant to allow efficient transfer of business and technical expertise, thus improving cost efficiencies and synergies. Vivant houses a pool of highly qualified professionals with business expertise relating to the business of the Vivant Group. Service Level Agreements are in place to ensure the quality of service and competitive pricing. These transactions result to fees paid by the subsidiary and associates to the Company.

Aside from the abovementioned, below are other services provided to and/or transactions entered into by Vivant with related parties in 2013.

- Vivant obtained a Standby Letter of Credit (SBLC) and acted as one of the surety for the benefit of a certain associate in connection with its IPP Administrator contract.

- Vivant extended interest bearing cash advances to a certain associate to fund its working capital requirements.

- Vivant has an outstanding lease agreement with a certain associate involving rental of its commercial office space.

Details of the transactions stated above can be found in the notes to the attached Audited Financial Statements.

(ix) Government Approvals, Patents, Copyrights, Franchises

Generation Business

Under the EPIRA, the power generation business is not considered a public utility operation. However, there are standards, requirements and other terms and conditions set by the ERC that each existing and potential generation company should comply with. Once met, the ERC will issue a Certificate of Compliance (COC) that will allow the operation of the power generation facilities. A COC is valid for a period of five years from the date of issuance.

Hydroelectric power generation facilities, on the other hand, are required to obtain water permits from the National Water Regulatory Board. Said permit would indicate the approved water source and allowable volume of water that can be used by these facilities in generating power. The water permits do not have expiry dates and are usually not terminated as long as the holder of the permit is able to meet the terms indicated.

A generation company that operates a facility connected to the Grid must make sure that the technical design and operational criteria of the Philippine Grid Code and Philippine Distribution Code are met.

Power purchase agreements signed with both private distribution utilities and electric cooperatives are required to be evaluated and approved by the ERC.

Vivant and its subsidiaries and associates involved in the generation business have no pending applications for the registration of intellectual property rights for any trademark associated with its and its subsidiaries' and associates' corporate names and logos.

Distribution Business

Electricity distribution is a regulated public utility business under the EPIRA. It requires a franchise that can be granted only by the Congress of the Philippines. A Certificate of Public Convenience and Necessity from the ERC is also needed to operate a public utility.

VECO's franchise is set to expire in 2030.

Given that the cost of purchased power is allowed to be passed on to the end-users, all power purchase agreements signed with power generation companies are required to be evaluated and approved by the ERC.

VECO has no pending application for the registration of intellectual property rights for any trademark associated with its corporate name and logo.

Supply Business

With the implementation of the Open Access, the business of supplying electricity is not considered as a public utility operation under the EPIRA. However, proprietors of this business are required to obtain a license from the ERC in accordance with the ERC's rules and regulations. Vivant has two RES companies:

- Prism Energy, which is 40%-owned by Vivant, was awarded its license in May 2012.

- Corenergy, which is a wholly owned subsidiary, is currently in the process of applying for a license.

(x) Effect of Existing or Probable Governmental Regulations

Given the changing landscape of the power industry brought about by the enactment of the EPIRA law in 2001, the following have had, will have or may have considerable impact on Vivant's businesses:

Wholesale Electricity Spot Market (WESM)

The WESM is a spot market for the buying and selling of electricity. This was established to enable competition to influence the production and consumption of electricity. The mechanism in place allows market forces to determine prices.

The WESM provides another option for power generation companies that have no bilateral contracts on how to sell the energy generated by their power plants. Likewise, the WESM serves as a platform for distribution utilities, suppliers and wholesale consumers to purchase electricity even without a bilateral contract.

Open Access and Retail Competition (Open Access)

Under the EPIRA, a system of open access to transmission and distribution wires will be implemented once conditions for the commencement of such are met. These conditions are as follows:

- Establishment of WESM
- Approval of unbundled transmission and distribution wheeling charges
- Initial implementation of the cross subsidy removal scheme
- Privatization of at least 70% of the total capacity of generating assets owned by NPC in Luzon and Visayas
- Transfer of management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPPAs

Implementation of the Open Access will allow end-users with an average monthly peak demand of one (1) MW for the twelve (12) months preceding to choose their own electricity suppliers.

The implementation of Open Access may result to various contracts entered into by distribution utilities being "stranded." Stranded contract costs refer to the difference between the contracted costs of electricity and the actual selling price of the contracted energy.

In 2012, the ERC, together with the Department of Energy and the Philippine Electricity Market Corporation (PEMC), formulated the Transitory Rules for the initial implementation of Open Access. Said rules were finalized and issued by the ERC in December 2012, where the following were declared: December 26, 2012 as the Open Access Date; (2) the period December 26, 2012 to June 25, 2013 as the Transition Period during which the required systems and processes to implement the Open Access will be developed and put in place and registration of contestable customers and retail electricity suppliers into the WESM database; and (3) June 26, 2013 to December 25, 2013 as the initial commercial operation of Open Access. Full retail competition is supposed to be implemented starting December 26, 2013. PEMC was tasked to be the Central Registration Body, which will undertake the development and management of the systems and processes and the settlement of transactions in the WESM relating to the Open Access.

The Open Access only relates to the Luzon and Visayas markets. Mindanao has yet to establish a competitive environment before Open Access is implemented. To be able to do, same conditions discussed will apply.

The Renewable Energy Act of 2008 (RE Act / RE Law)

The RE Act was signed into law in December 2008 and became effective in January 2009.

The RE Act was designed to promote and develop the use of renewable energy resources of the country to reduce the country's dependence on fossil fuels and overall cost of energy, and reduce harmful emissions to improve the environment.

The RE Act offers fiscal and non-fiscal incentives to RE developers, subject to a certification issued by the DOE, in consultation with the Board of Investments. These incentives include:

- Income tax holiday for the first seven years of commercial operations
- Duty-free importation of RE machinery, equipment and materials effective within ten years upon issuance of certification, provided said machinery, equipment and materials are directly, exclusively and actually used in RE facilities
- Special realty tax rates on equipment and machinery not exceeding 1.5% of the net book value
- Net operating loss carry over (NOLCO)
- Corporate tax rate of 10% after the 7th year
- Accelerated depreciation
- Zero percent value-added tax on sale of fuel or power generated from emerging energy sources and purchases of local supply of goods, properties and services of RE facilities
- Cash incentives for RE developers for missionary electrification
- Tax exemption on carbon emission credits
- Tax credit on domestic capital requirement and services

All fiscal incentives apply to all RE capacities upon effectivity of the RE Law.

Electricity generated from emerging RE resources such as wind, solar, ocean, run-of-river hydropower and biomass are given priority dispatch.

The National Renewable Energy Board (NREB) has filed with the ERC the feed-in-tariff (FIT) for emerging RE resources, namely, wind, solar, ocean, run-of-river hydropower and biomass. Per Resolution No. 10, Series of 2012, the ERC-approved rates are as follows: (a) wind – Php 8.53/kWh, (b) solar – Php 9.68/kWh, (c) run-of-river hydropower – Php 5.90/kWh, (d) biomass – Php 6.63/kWh.

NREB is also in the process of preparing the Renewable Portfolio Standards, which shall provide electricity suppliers the implementing rules and guidelines on the portion of their electricity requirements to be sourced from eligible RE resources.

Reduction in Systems Loss

The ERC issued Resolution No. 17, Series of 2008, which involves the reduction in the allowed recoverable systems losses of distribution utilities from 9.5% to 8.5%. This was implemented in January 2010.

Under the new regulations, the actual electricity usage of the distribution company will be treated as an O&M expense in its PBR applications.

(xi) Estimate of Amount Spent for Research and Developmental Activities

Vivant has not allocated any specific amount of funds for research and developmental activities. Research and development activities are done on a per project basis and allocation of funds may vary depending on the nature of the project.

(xii) Costs and Effect of Compliance with Environmental Laws

Vivant's generation and distribution business units are subject to extensive and stringent safety, health and environmental laws and regulations. The Company's subsidiaries and associates have incurred, and expect to incur, operating costs to comply with these laws and regulations. Annual capital expenditures relating to the compliance with safety, health and environmental laws and regulations are expected to be made by Vivant's subsidiaries and associates.

(xiii) Employees

At the parent company level, Vivant has a total of 33 employees as of December 31, 2013, composed of executive, supervisory and rank-and-file staff. The table below provides a breakdown of the total employee headcount.

	Headcount
Executive	6
Supervisors	8
Rank & File	19
Total	**33**

The Company has no existing collective bargaining agreement with its employees.

(xiv) Major Risks Involved in the Business

Below is a brief discussion on the risks that Vivant, through its subsidiaries and associates, might encounter in the businesses in which it is involved. Certain risks, however, are inherent to the nature of the business that are beyond Vivant's or its subsidiary's or associate's control.

Competition Risk

The competition landscape in the power generation business has continually evolved since the government started its privatization efforts under the EPIRA law.

- Over 70% of NPC's generation assets and IPP contracts have been transferred to the private sector.
- The spot market in the Luzon and Visayas Grids are operational, with Mindanao to follow suit in the coming years.
- Investments in Greenfield and Brownfield projects are starting to pour in
- Implementation of the Open Access and Retail Competition

All these have or will have an impact on the availability of and access to power (reliability of plants seen improving, new capacities and new suppliers coming in), which may ultimately influence pricing of electricity.

Regulatory Risk

The continuing scrutiny of both the regulators and the public has led to the growing challenges faced by the power industry. In its effort to manage any potential fundamental changes in the business environment, Vivant has established good working relations with the regulatory agencies. The Company actively participates in the formulation of new rules and policies covering the power industry. In anticipation of possible changes in the regulatory environment, the Company incorporates these in the formulation of its long-term strategy for its businesses.

Trading Risk

Spot market price of electricity is determined by several market forces, which are mostly beyond the control of the Company. Unforeseen plant outages, transmission constraints, and fuel cost increases are among the factors that affect the supply condition in the power industry. Weather conditions and economic activities influence the demand patterns in the electricity market. All these have caused and are expected to cause fluctuations in the spot market price of electricity. Vivant intends to mitigate this risk by maintaining a good balance of contracted and spot capacities for its generation portfolio.

Fuel Supply Risk

Vivant's fossil-fired generation plants have entered into fuel supply contracts to ensure supply. Pricing, however, is subject to market conditions affecting both demand and supply.

Delta P, CPPC and 1590 EC have entered into medium term (2-3 years) contracts with large oil companies in the Philippines. CEDC, in the meantime, has long-term contracts with various coal suppliers.

Delta P, CPPC, and CEDC have entered into bilateral contracts that employ a tariff formula allowing recovery of fuel cost. Meanwhile, 1590 EC has no bilateral contracts and is exposed to fuel price fluctuations. 1590 EC operates the Bauang plant mostly as a peaking facility that sells electricity to the spot market during the peak hours of the day when spot market prices are relatively high.

Financial Risk

In the course of normal operations, Vivant, together with its subsidiaries and associates, is exposed to financial risks, including, but not limited to, interest rates that may have an impact on outstanding liabilities, counterparty credit risk, valuation of securities and investments, trade and other receivables, liquidity risk in terms of cash management and foreign exchange risk that may have an impact on outstanding foreign currency denominated placements and liabilities.

Business Interruption Risk

Interruption of normal operations brought about by natural calamities, major equipment failures, plant accidents and terrorism are just a few of the serious risks faced by the Company, through its subsidiaries and associates.

For risks that can be mitigated by the Company, particularly those that are plant operations-related, Vivant, through its subsidiaries and associates, implements a regular preventive maintenance program in all of its facilities. The Company, in relation to its risk management process, has procured business interruption insurance to cover the potential loss in gross profits in the event of a major damage to any of the facilities and assets it owns or operates.

Project Risk

Vivant, through its subsidiaries and associates, has projects in the pipeline, involving Greenfield and Brownfield power plant development projects. Inherent to these projects are risks involving the completion of these projects according to specifications, budget and set timelines.

To ensure the successful implementation of these projects, Vivant, through its subsidiaries and associates, is partnering with well-known contractors and suppliers with good track record in the industry. Project monitoring activities are likewise employed to assure adherence to standards, budget and set timelines.

Item 2. Properties

Vivant's head office is located at the 9th Floor of Ayala Life-FGU Center, Cebu Business Park, Cebu City.

On a consolidated basis, the Company's 2013 total Property, Plant and Equipment were valued at Php 62.6 mn as compared to Php 47.3 mn for 2012. The breakdown is as follows:

Property, Plant and Equipment as of December 31, 2013 and 2012

	2012 (Php mn)	2013 (Php mn)
Condominium Units, Building, and Improvements	17.7	16.8
Plant Machineries & Equipment	0.0	0.6
Leasehold & Land Improvements	9.6	15.7
Other Furniture, Fixtures, & Equipment	5.1	9.0
Transportation Equipment	14.6	18.7
Tools & Other Assets	0.3	1.8
TOTAL	**47.3**	**62.6**

Item 3. Legal Proceedings

Material Pending Legal Proceedings

I. VECO

VECO Redundancy Program

Jeanu A. Du, et al. vs. VECO (Aguinaldo Agramon et al.)
NLRC RAB VII Case No. 04-0956-06
NLRC RAB VII Case No. 05-1014-06
NLRC RAB VII Case No. 05-1070-06
NLRC RAB VII Case No. 05-1099-06
NLRC RAB VII Case No. 05-1146-06
NLRC RAB VII Case No. 05-1193-06
NLRC RAB VII Case No. 06-1253-06
NLRC RAB VII Case No. 06-1300-06
NLRC RAB VII Case No. 06-1404-06
NLRC RAB VI Case No. 08-1708-06

CA G.R. SP. No. 03379
Court of Appeals, 19th Division
June 5, 2006

SC G.R. No. 203410

VECO is involved in cases for illegal dismissal and/or non-payment of retirement benefits filed by approximately 120 former VECO employees claiming back wages, damages and reinstatement. The cases were initiated in relation to VECO's redundancy program in 2004 which the employees has previously accepted and received compensation after the program was discussed at length with the labor union and the entire work force. The employees were formally separated from VECO between the period of June and December 2005. At the Labor Arbiter level, all the complaints were dismissed for lack of merit, upholding VECO's redundancy program as a valid exercise of management prerogative. In Alejo, et al. vs. VECO, also relating to the redundancy program, both the Court of Appeals (CA) and the Supreme Court (SC) affirmed the dismissal of the complaints. In Henry E. Bacaltos, et al. vs. VECO, et al., the CA affirmed the Labor Arbiter's decision in dismissing the complaints and upheld VECO's redundancy program. This decision is final and executory as of January 13, 2012 when the CA issued an Entry of Judgment.

In Jeanu A. Du, et al. vs. VECO, the complainants appealed to the CA which dismissed their case. Du et al., filed their Petition for Certiorari before the SC on October 2, 2012 which is pending to this day.

VECO vs. Roy Salubre and the Province of Cebu, et al.
CA-G.R. S.P. No. 05752

The Province of Cebu assessed VECO for delinquent real property tax for its electric posts and transformers within the Municipality of Consolacion. A Notice of Sale of Delinquent Property over the electric posts and transformers was subsequently issued by the Province.

To prevent the auction of the electric posts and transformers pursuant to the Notice of Sale of Delinquent Property, VECO filed a case for Injunction and Prohibition against the Province of Cebu on the ground that electric posts and transformers are not real properties and, therefore, not subject to real property tax. On July 27, 2010, the lower court decided in favor of VECO and issued a Writ of Prohibition and Injunction against the Province of Cebu.

The Province appealed to the CA which was dismissed on November 18, 2013. On January 16, 2014, the Province filed a Petition for Review on Certiorari with the SC. VECO is awaiting an Order by the SC giving the Petition due course and directing VECO to file its Comment.

In The Matter of the Assessed Real Property Tax on Electric Posts
And Transformers Located Within Talisay City
Local Board of Assessment Appeals-Talisay City
December 30, 2003

On October 29, 2003, the Local Board of Assessment Appeals (LBAA) of Talisay City, Cebu issued a Notice of Assessment and Tax Bill (for Tax Declaration Nos. 68006 to 68065) against VECO representing P10.50 mn of real property tax on VECO's electrical posts and transformers within Talisay City. In 2004, the assessment was increased to P16.90 mn, and P17.50 mn in 2005. In 2003, VECO paid under protest the amount of P2mn. This matter is currently pending before the LBAA of Talisay City.

On May 10, 2007, VECO filed a letter with the Bureau of Local Government Finance-Department of Finance (BLGF-DOF) requesting for legal opinion/confirmation on the liability of VECO for real property taxes on electric posts and transformers. This request is also pending resolution by the BLGF-DOF.

In the Matter of The Assessed Real Property Tax on Electric Posts and Transformers Located Within the Municipalities of Minglanilla, Consolacion, and Lilo-an, Province of Cebu
Local Board of Assessment Appeals – Province of Cebu

On July 25, 2008, the Provincial Assessor of the Province of Cebu issued a Notice of Assessment for the electric posts and transformers owned by VECO located in the Municipalities of Minglanilla, Consolacion, and Lilo-an. The Provincial Assessor, motu proprio, declared for tax purposes as real properties the electric posts and transformers for the first time under Tax Declaration Nos. 39178 to 39193 (for Minglanilla), 39135 to 39166 (for Consolacion) and 54445 to 54458 (for Lilo-an). VECO received a letter from the Provincial Treasurer on August 27, 2008, which demanded payment of about P32 mn as real property tax from 1992 to 2008, including penalties, for the supposed real properties within Minglanilla, Consolacion, and Lilo-an.

On September 23, 2008, VECO filed a Notice of Appeal and Memorandum of Appeal before the LBAA of the Province of Cebu questioning the demand letter and refuting the assessment. To date the Appeal is still pending resolution.

II. 1590 EC

SC G.R. No. 210245
Bayan Muna Representatives NERIC JAVIER COLMENARES,
et al., vs. Energy Regulatory Commission, et al.

SC G.R. No. 201255
National Association of Electricity Consumers for Reforms, et al.
vs. Manila Electric Company, et al.

SC G.R. No. 210502
Manila Electric Company vs. Philippine Electricity Market
Corporation, et al.

On December 19 and 20, 2013, two (2) separate Petitions were filed by Bayan Muna Representatives and National Association of Electricity Consumers for Reforms (NASECORE) against the Energy Regulatory Commission and Manila Electric Company (MERALCO), et al. to enjoin MERALCO from implementing its power rate increase that was approved by the Energy Regulatory Commission (ERC) and to hold certain provisions of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), as unconstitutional. As a result of the Petitions, the Supreme Court en banc ordered several generation companies to be included as additional parties-respondents to the cases, including 1590 Energy Corp., its power rate increases approved by the ERC. Oral Arguments were conducted and the relevant legal pleadings were submitted to the Supreme Court. The Petitions are pending resolutions by the Supreme Court.

ERC Case No. 2014-021 MC
In The Matter of the Prices in the Wholesale Electricity Spot Market (WESM)
For the Supply Months of November and December 2013 and the Exercise
By the Commission of its Regulatory Powers to Intervene and
Direct the Imposition of Regulated Prices Therein

On March 6, 2014, acting motu proprio (at its own impulse), the ERC rendered an Order voiding the Wholesale Electricity Spot Market (WESM) prices for the supply months of November and December 2013 and in lieu thereof, substituting regulated prices. The Order came after the ERC formed an Investigating Unit to investigate the unusual increase in WESM prices and the simultaneous withholding of capacity by electric power generators during the supply months of November and December 2013.

1590 EC filed its Motion for Reconsideration to the Order on March 28, 2014. The Motion is pending.

ERC Case No. 2014-001 MC
In the Matter of The Investigations On The Allegations of
Anti-Competitive Behavior and Possible Abuse of Market Power
Committed By Some Participants In The Wholesale Electricity
Spot Market (WESM)

The ERC, acting motu proprio, issued a subpoena duces tecum and ad testifacandum dated February 12, 2014, against 1590 EC for its representative to appear before an investigating body of the ERC and submit documents relating to its offers to the WESM. This investigation was in relation to the surge in WESM market prices that is the subject of SC G.R. No. 210245, SC G.R. No. 201255, and SC G.R. No. 210502. 1590 EC complied with the subpoena and appeared before the investigating body. 1590 EC awaits a resolution/decision/order from the ERC.

III. NR

SC G.R. No. 210245
Bayan Muna Representatives NERIC JAVIER COLMENARES, et al., vs. Energy Regulatory Commission, et al.

SC G.R. No. 201255
National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et al.

SC G.R. No. 210502
Manila Electric Company vs. Philippine Electricity Market Corporation, et al.

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ERC Case No. 2014-001 MC
In the Matter of The Investigations On The Allegations of Anti-Competitive Behavior and Possible Abuse of Market Power Committed By Some Participants In The Wholesale Electricity Spot Market (WESM)

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Item 4. Submission of Matters to A Vote of Security Holders

During the June 27, 2013 Annual Meeting of Stockholders, the following actions were taken:

(1) Approval and adoption of the minutes of the June 15, 2012 Annual Stockholders' Meeting;

(2) Delivery of the Annual Report of the Officers;

(3) Ratification of all acts and resolutions of the Board of Directors and Management in the ordinary course of business for the fiscal year 2012 up to and until June 27, 2013;

(4) Election of the following members of the Board of Directors for the year 2013 - 2014:

1. Dennis N. A. Garcia
2. Emil Andre M. Garcia
3. Elbert M. Zosa
4. Gil A. Garcia II
5. Charles Sylvestre A. Garcia
6. Ramontito E. Garcia
7. Efren P. Sarmiento
8. Jose Marko Anton G. Sarmiento
9. Antonio S. Abacan, Jr.[1]
10. Amb. Raul Ch. Rabe (Independent Director)
11. Atty. Jesus B. Garcia, Jr. (Independent Director)

(5) Delegation of the authority to appoint the external auditor to the Board of Directors.

Other than the foregoing, no matter was submitted to a vote of security holders.

The results of the foregoing meeting were timely disclosed to the PSE and SEC in a SEC Form 17-C report.

PART II: OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

<u>1. Market Information</u>

The Company's common shares are listed and traded at the Philippine Stock Exchange. The high and low stock prices of Vivant's common shares for each quarter of 2011 and 2012 were as follows:

	2012		2013	
	High	Low	High	Low
First Quarter	14.52	2.65	9.90	8.35
Second Quarter	13.00	9.20	11.40	9.05
Third Quarter	10.60	7.50	12.00	8.90
Fourth Quarter	11.18	6.60	11.04	9.04

[1] Resigned on July 23, 2013 and disclosed on SEC Form 17-C on the same date.

As of end-March 2014, the common shares outstanding were 1,023,456,698 shares. The closing price of Vivant's common shares as of same date is Php 11.64 per share.

2. Security Holders

As of March 31, 2014, Vivant has 1,468 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). The top 20 shareholders with the number of shares respectively held and the percentage of total shares outstanding held by each are as follows:

	NAME	NO. OF SHARES	%
1	Mai-I Resources Corporation	464,831,568	45.42
2	JEG Development Corporation	311,524,642	30.44
3	Mirant Global Corporation	116,555,553	11.39
4	PCD Nominee Corporation (Filipino)	67,485,926	6.59
5	Popsivan Holdings Corporation	31,498,212	3.07
6	Malacapas Holdings, Inc.	27,677,848	2.70
7	Arce, Aurelia C.	1,375,000	0.13
8	Arce, Eulalio C.	343,750	0.03
9	Vibal, Esther A.	79,250	0.01
10	Vibal, Esther &/Or Stella Lawson &/Or Aida Gutierrez	62,500	0.01
11	PCD Nominee Corporation (Foreign)	37,550	0.00
12	Cruz, Alfredo A.	34,062	0.00
13	Lavin, Marietta P.	27,750	0.00
14	EBC Securities Corporation	20,625	0.00
15	Consortium Industries, Inc.	20,500	0.00
16	Lopez, Rose Marie R.	19,687	0.00
17	Marino Olondriz Y Cia	16,000	0.00
18	Rivera, Rosario Paje	15,625	0.00
19	Sevilla, Rodulfo	15,625	0.00
20	Borres, Jun	15,000	0.00
	TOTAL NO. OF SHARES	**1,021,656,673**	

3. Dividends

The Company's By-laws allow dividends to be declared and paid out of unrestricted retained earnings, which may be payable in cash, property or stock to all stockholders on the basis of the outstanding stock held by the stockholder, as often and at such times as the Company's Board of Directors may determine and in accordance with the requirements of the Corporation Code and applicable laws.

The cash dividends declared by Vivant to its common shareholders from 2012 to 2013 are shown in the table below.

Year	Cash Dividend Per Share		Total Declared		Record Date
	Regular	Special	Regular	Special	
2013	Php 0.1558	Php 0.0489	Php 159.5 mn	Php 50.0 mn	July 4, 2013
2012	Php 0.1416	Php 0.0489	Php 144.9 mn	Php 50.0 mn	July 4, 2012

4. Recent Sales of Unregistered Securities

There was no recent sale of securities within the past three (3) years, which were not registered under the Securities Regulation Code.

Item 6: Management's Discussion and Analysis or Plan of Operation.

1. Plan of Operation

For the next twelve (12) months, the Company will continue to oversee its investments in the investee companies.

As a holding company, it shall satisfy its cash requirements through (1) dividends declared and paid by its investee companies and (2) management fees paid by investee companies with management contracts as compensation for ancillary services provided.

Vivant, through its Business Development Group, is continuously on the lookout for opportunities in the power industry, particularly in the power generation business. The Company has several projects that are in various stages of development. The projects, should viability be proven, will be done via joint ventures, where funding will be sourced through project financing.

2. Management's Discussion and Analysis

Management uses the following key performance indicators for the Company and its investee companies:

(i) Equity in Net Earnings (or Loss) of Associates. Equity in net earnings or (loss) of associates is the Company's share in the income or loss of associates, or investee companies accounted for under the equity method. It indicates the profitability of the associates and measures their contribution to the profitability of the parent.

(ii) Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). EBITDA is calculated by taking operating income and adding back to it interest, depreciation, and amortization expenses. Since EBITDA eliminates the effects of financing and accounting decisions, it can provide a relatively good comparison of the performance of the Company with other players in the industry. It also provides a good measure of the Company's ability to generate cash from operations to cover financial charges and income taxes.

iii) Cash Flow Generated. Cash flow generated indicates the ability of the Company to generate enough cash for operating, investing, and financing activities.

(iv) Debt-to-Equity Ratio (DER). DER gives an indication of the Company's leverage position and is computed by dividing total liabilities with total stockholders' equity.

(v) Current Ratio. Current ratio is computed by dividing current assets with current liabilities. This indicates the liquidity of the Company in the short term and measures the peso amount of current asset available to cover a peso amount of current liability.

The table below shows the comparative figures of the key performance indicators for the year 2013 and 2012.

Key Performance Indicators *Amounts in Php '000, except for ratios*	**2013**	**2012**
Equity in Net Earnings of Associates	817,168	962,679
EBITDA	1,565,008	1,723,139
Cash Flow Generated	1,254,242	1,207,905
Net cash flows from operating activities	1,341,358	1,004,021
Net cash flows from (used in) investing activities	1,095,667	1,066,346
Net cash flows from (used in) financing activities	(1,182,782)	(862,462)
Debt-to-Equity Ratio (x)	0.25	0.24
Current Ratio (x)	2.51	2.24

The Company's share in net earnings of associates for the year 2013 amounted to Php 817.2 mn, representing a 15% year-on-year (YoY) decline from Php 962.7 mn. The equity earnings in 2012 included one-off gains from the partial extinguishment of an associate's liabilities.

The lower average spot market price in 2013, coupled with the one-off gain in 2012 from the partial extinguishment of an associate's liabilities, resulted in a 9% YoY drop in the Company's EBITDA, from Php 1.7 bn to Php 1.6 bn.

The Company generated cash flows of Php 1.3 bn in 2013, up by 4% YoY. This can be attributed to improvements in the cash generated from operations and cash provided by investing activities.

Debt-to-Equity ratio slightly increased from 0.24x in 2012 to 0.25x in 2013. This resulted from the increase in the payable accounts of a subsidiary mostly arising from trade and dividends payable.

The increase in cash and cash equivalents during the period in review, mostly accounted for the improvement in the Company's current ratio, to 2.51x as of end-2013 from 2.24x as of end-2012.

Material Changes in Line Items of Registrant's Income Statement

At the end of 2013, the Company had a consolidated revenue of Php 3.6 bn, recording a 5% YoY decline from previous year's consolidated revenue of Php 3.8 bn. The topline performance was due to the following:

1. Revenue from sale of power, which comprised the bulk of revenues at Php 2.6 bn, was marginally lower by 2% YoY. The Company's subsidiary recorded a 23% YoY increase in net generation. This, however, was offset by the lower average selling price brought about by the lower spot market prices that prevailed during the year (especially during the months of November and December where most of the energy sales occurred).

2. Equity in net earnings of associates and joint ventures in 2013 decreased by 15% YoY to Php 817.2 mn from Php 962.7 mn. This is largely attributed to the non-recurrence of a gain booked in 2012 that resulted from the partial settlement of an associate's liability.

3. Management fees in 2013 rose by 12% YoY to Php 167.1 mn from Php 148.5 mn. The upward adjustment in rates, as stipulated in the contracts, as well as newly negotiated rates accounted for the increase.

4. Interest income was lower by 29% YoY at Php 33.6 mn, which was mainly attributed to lower interest rates during the period in review.

5. Other income decreased by 8% YoY to Php 6.4 mn. The drop was due to a reduction in the disposal of waste materials by a subsidiary.

Consolidated operating expenses for the year 2013 was reduced by 6% YoY from Php 2.2 bn to Php 2.1 bn. The drop was primarily due to the lower Generation Cost incurred by the Company's subsidiary, which was down 12% YoY to Php 1.6 bn. The decline was due to the non-recurrence of cost items relating to significant spare parts replacements that the power plant required in 2012. Vivant's operating expenses recorded a 23% YoY rise to Php 432.1 mn given the following:

1. Professional fees increased by 15% YoY, from Php 207.3 mn to Php 237.4 mn. This significant increase was due to consultancy and advisory services incurred in relation to business development, technical reviews, and project development studies.

2. Management fees were lower by 58% YoY, from Php 37.6 mn to Php 15.8 mn. The drop was due to the non-renewal of a contract involving the management of a subsidiary's power plant in 2013.

3. Salaries and employee benefits increased to Php 74.4 mn in 2013, or by 91% YoY. The increase is a result of the combined effect of an increase in manpower headcount to address the growing needs of operations and the adjustments in salaries and benefits.

4. Taxes and licenses increased by 24% YoY to Php 28.6 mn from Php 23.0 mn. The increase was brought about by higher local taxes booked by a subsidiary in view of its higher revenue base.

5. Travel expenses increased by 37% YoY to Php 14.5 mn from Php 10.6 mn. This can be attributed to the rise in business- and project-related trips.

6. Depreciation and amortization for the year grew by 33% YoY from Php 10.0 mn to Php 13.3 mn. The increase was mainly attributable to the acquisition of fixed assets (relating to the expansion of the Company's office space) in 2013.

7. Rent and association dues increased by 52% YoY to Php 6.0 mn. This was a result of the combined effect of higher rental fees (as provided for in the lease contracts) and leased office space.

8. Communication and utilities expense for the year 2013 increased by 20% YoY to Php 3.4 mn from Php 2.9 mn, which was a factor of the increase in the Company's manpower headcount.

9. Impairment loss on Available For Sale (AFS) investments was up by 83% YoY from Php 2.7 mn to Php 5.0 mn. The rise was due to the full recognition of an impairment of a subsidiary's AFS investment in a company that already ceased operations. The amount booked in 2012 was a partial impairment for the same AFS investment.

10. Representation expenses was higher by 167% YoY to Php 3.7 mn from Php 1.4 mn. The increase was due to the rise in business- and project-related activities.

11. Security and janitorial expense was at Php 0.6 mn , up by 192% YoY. This was due to the need to tighten security in a subsidiary's facility and the requirement for additional janitorial and utility services in both Vivant and its subsidiary.

12. Other operating expenses went up by 136% to Php 29.3 mn from Php 12.4 mn due to increased spending in community relations, participation in typhoon relief operations, training and development, and customs brokerage, among others.

Vivant booked Php 25.7 mn in other charges in 2013, a reversal from previous year's other income of Php 605.4 mn. Said movement can primarily be accounted for by the following:

1. Prepayment of the Company's short term loans, coupled with the derecognition of the subsidiary's long term debt that resulted from the rescission of the contract involving the acquisition of the plant facilities, resulted in a 72% YoY drop in the Company's finance cost, from Php 61.1 mn to Php 17.2 mn.

2. Vivant's subsidiary booked a Php 643.8 mn gain in 2012, which was a result of the rescission of the contract involving the purchase of the Bauang power plant facility. Said gain was the difference of the derecognition of the property, plant and equipment and long-term debt, and the return of the cash from the escrow account.

3. Other Charges – net of Php 21.6 mn in 2013 pertain to a one-off adjustment that relates to previously booked gains from the redemption of an associate's redeemable preferred shares, which were inadvertently overstated.

The combined effect of the above account movements resulted in a 36% YoY decline in Vivant's net income to Php 1.3 bn. Consequently, net income attributable to equity holders of the parent declined by 31% YoY to Php1.0 bn.

Total comprehensive income, on the other hand, rose by 7% YoY to Php 2.2 bn from P2.0 bn. The total comprehensive income attributable to equity holders of the parent was at Php 1.9 bn, up by 29% YoY. Items below account for the movements:

1. In compliance with Philippine Accounting Standards (PAS) 19R, which requires the remeasurement of pension assets, Vivant booked an other comprehensive loss of Php 8.7 mn in 2013 and Php 0.7 mn in 2012, thereby restating its 2012 Consolidated Statement of Comprehensive Income.

2. The Company booked as other comprehensive income its share in the revaluation increment of an associate that amounted to Php 884.6 mn (net of tax).

Changes in Registrant's Resources, Liabilities, and Shareholders' Equity

The Company's consolidated total assets increased by 23% to Php 8.7bn in 2013 from Php 7.1 bn in 2012. The significant movements in the assets of the Company are discussed below.

1. Cash and cash equivalents as of end-2013 increased by 70% YoY to Php 3.1 bn. This was brought about by higher dividends received from the Company's investee companies and its subsidiary's increased trade payables (See Item 3. Legal Proceedings II 1590 EC ERC Case No. 2014-021 MC).

2. Receivables was higher by 20% YoY at Php 746.1 mn. This was largely due to the increase in trade receivables from higher energy sales in the last month of the year.

3. Advances to associates and stockholders was up by 302%, from Php 28.8 mn as of end-2012 to Php 115.5 mn as of end-2013. The increase came from advances made by a subsidiary to its stockholders for future dividends.

4. Inventories declined by 4% YoY to Php 99.2 mn. The drop was due to the rise in inventory usage during the period in view of higher energy generation.

5. Prepayments and other current assets was down by 35%, from Php 453.5 mn as of end-2012 to Php 294.8 mn as of end-2013, which was due to the reclassification of advances made by a subsidiary to its supplier of power plant parts and supplies to the proper asset and expense accounts upon receipt of the orders.

6. Investment in associates rose by 9% to Php 4.0 bn as of end-2013 from Php 3.7 bn as of end-2012. The increase is largely attributed to the take up of the Company's share in the revaluation of an associate in 2013, which was partly offset by the impact of cash and property dividend declaration during the year in review.

7. Property, plant and equipment went up by 32% YoY to Php 62.6 mn. The increase is largely attributed to the acquisition of more office space to accommodate additional manpower and other space requirements.

8. Available-for-sale investments was down by 57% YoY to Php 3.8 bn due to the recognition of an impairment on a subsidiary's AFS investment in a company that already ceased operations.

9. Other non-current assets increased by 9% to Php 72.0 mn as of end-2013 from Php 66.0 mn as of end-2012. This is attributable to advances made to contractors and project partners that will be used to finance the cost of project studies, site development, and plant rehabilitation, among others.

Vivant's total consolidated liabilities as of end-2013 was higher by 27% YoY, from Php 1.4 bn to Php 1.8 bn. Below is a brief discussion on the movements of the Company's liability accounts.

1. Trade and other payables increased by 107% YoY to Php 1.4 bn as of end-2013. This was due to a significant increase in trade payables from a subsidiary's purchases for inventories and the group's collection of energy fees in excess of the amounts

determined by PEMC in the adjustment bills for the supply months of November and December 2013. (See Item 3. Legal Proceedings ll 1590 EC ERC Case No. 2014-021 MC)

2. Advances from related parties dropped by 28% YoY to Php 142.7 mn from Php 197.5 mn given the settlement of some of the advances.

3. Income tax payable recorded a 65% YoY increase to Php 162.1 mn as of end-2013. The significant increase was brought about by a subsidiary's higher net earnings during the year in review.

4. Short term loans of Php 365.0 mn in 2012 were fully settled in 2013.

5. Pension Liability of Php 18.7 mn in 2013 and Php 15.7 mn were established as a result of an actuarial study done, which is in compliance with PAS 19R on the remeasurement of pension assets.

6. Deferred tax liabilities was lower by 8% YoY at P27.5 mn as of end-2013. The decline was brought about by the realization of foreign exchange gains and the recognition of its corresponding income tax payable.

The favorable results of the Company's operations and the recognition of its share in the revaluation increment of an associate led to YoY increases of 22% and 35% in Vivant's total equity and equity attributable to equity holders of the Parent at Php 7.0 bn and Php 6.5 bn, respectively.

Material Changes in Liquidity and Cash Reserves of Registrant

Cash and cash equivalents grew by 70% YoY from Php 1.8 bn as of end-2012 to Php 3.1 bn as of end-2013. Improvements in both the Company's cash generated from operations and cash provided by investing activities accounted for the rise in cash levels at the end of 2013.

Cash generated from operating activities for the year 2013 amounted to Php 1.3 bn, recording a 34% YoY improvement. This mainly arose from the rise in a subsidiary's trade and other payables.

Cash provided by investing activities during the year was slightly higher by 3% YoY at P1.1 bn. This was due to a 10% YoY increase in cash dividends received by Vivant, from Php 894.8 mn in 2012 to Php 979.9 mn in 2013. This was partly offset by the additions to property and equipment and other noncurrent assets.

Cash used in financing activities increased by 37% YoY to Php 1.2 bn. The 121% YoY rise in cash dividends paid (at Php 687.3 mn) during the year mainly accounted for the increase.

Financial Ratios

Debt-to-Equity ratio as of end-2013 was slightly up at 0.25x from 0.24x as or end-2012. This was mostly a result of the increase in the payable accounts of a subsidiary arising from higher dividends payable, output taxes payable, and trade payables. (See Item 3. Legal Proceedings ll 1590 EC ERC Case No. 2014-021 MC)

Increase in cash and cash equivalents during the period in review mainly accounted for the improvement in the Company's current ratio to 2.51x as of end-2013 from 2.24x as of end-2012.

Item 7. Financial Statements

The audited financial statements of the Company for the years ended December 31, 2013, December 31, 2012, and December 31, 2011 are attached hereto as Exhibits "B", "C" and "D", respectively.

Item 8. Information on Independent Accountant and other Related Matters

<u>1. External Audit Fees and Services</u>

Following the Annual Stockholders Meeting last June 27, 2013 where the authority to confirm or appoint the external auditors was delegated to the Board of Directors. The Board of Directors confirmed the appointment of SyCip Gorres Velayo & Co. (SGV) as its external auditor for fiscal year 2013.

The table below sets forth the aggregate fees billed to the Company for professional services rendered by SGV in fiscal year 2013.

Fee Type	2013
Audit Fees	Php 460,000
Tax Fees*	800,000
All Other Fees**	30,000
Total	PhP 1,290,000

**Transfer Pricing Study*
*** Training Fees*

Both management and the Audit Committee evaluated the audit fee of SGV. This was recommended to and approved by the Board of Directors.

<u>2. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>

There was no event in the past year where Vivant and SGV or the handling partner had any disagreement with regard to any matter relating to accounting principles or practices, financial disclosures or auditing scopes or procedures.

PART III: CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

1. <u>Directors, Independent Directors and Executive Officers</u>

The following are the directors who have held offices as such since their election last June 27, 2013:

1. Dennis N. A. Garcia
2. Emil Andre M. Garcia
3. Elbert M. Zosa
4. Gil A. Garcia, II

5. Charles Sylvestre A. Garcia
6. Ramontito E. Garcia
7. Efren P. Sarmiento
8. Jose Marko Anton G. Sarmiento
9. Antonio Abacan, Jr.[2]
10. Amb. Raul Ch. Rabe (Independent Director)
11. Atty. Jesus B. Garcia, Jr. (Independent Director)

They shall serve as directors for a term of one (1) year and until their successors are duly elected and qualified.

After the election of the Board of Directors, the following persons were elected as officers:

Name	Position
Dennis N.A. Garcia	Chairman of the Board
Ramontito E. Garcia	President
Gil A. Garcia II	Treasurer
Arlo A.G. Sarmiento	EVP/Chief Operating Officer
Emil Andre M. Garcia	VP - Operations and Business Development
Minuel Carmela N. Franco	VP - Finance
Maria Victoria E. Sembrano	AVP - Finance & Administration
Atty. Macario C. Padullo, Jr.	AVP - Corporate Management Systems
Juan Eugenio L. Roxas	AVP - External Affairs
Atty. Jess Anthony N. Garcia	Corporate Secretary & Chief Information Officer
Atty. Joan A. Giduquio-Baron	Assistant Corporate Secretary & Compliance Officer

The term of office of all officers shall be for one (1) year and until their successors are duly elected and qualified. The above officers of the Issuer shall serve only for the unexpired term of their predecessors and until their successors are duly elected/appointed.

(i) Information on Directors and Officers

Dennis N. A. **Garcia**, 64 years old, Filipino, has been the Chairman and a member of the Executive Committee of the Company since 2003. Other positions currently held are as follows: President and Co-Chairman - Executive Committee of VECO; Chairman – Vivant-Sta. Clara Northern Renewables Generation Corporation; Chairman and President - VICS-Amlan Holdings Corporation, and Vivant Integrated Generation Corporation; Chairman – Vivant Energy Corporation, Chairman and President - Hijos de F. Escaño, Inc.; Director - Abovant Holdings, Inc., Delta P. Inc., 1590 Energy Corp.; and Cebu Energy Development Corporation; Chairman-Vivant-Malogo Hydropower Inc.; Chairman and CEO, JEGVEG Realty, Inc; Vice-President –MAI-I Resources Corporation.

Ramontito E. Garcia, 57 years old, Filipino, has been the President of the Company since 2003. Mr. Garcia is also a Director and Member of the Executive Committee of the Company since 2003. Other positions currently held are as follows: Chairman - VECO; Vice Chairman - Cebu Private Power Corporation; Chairman-VECO, Director - Vivant-Sta. Clara Northern Renewables Generation Corporation, Delta P, Inc., VICS-Amlan Holdings Corporation, Hijos de F. Escaño, Inc., President – 1590 EC; Chairman and President - JEG Development Corporation ; President-Vivant-Malogo Hydropower Inc.; Vice President - JEGVEG Realty, Inc.

[2] Resigned on July 23, 2013 and disclosed on SEC Form 17-C on the same date.

Gil A. Garcia II, 61 years old, Filipino, is the Treasurer of the Company since 2004. Mr. Garcia has also been a Director the Company and VECO since 2004. Other positions presently held include: Treasurer-VECO ;Director - MAI-I Resources Corporation.

Elbert M. Zosa, 66 years old**,** Filipino, is a Director of the Company since 2003. Mr. Zosa is currently the Chairman of the Finance Committee of the Company. Other positions currently held are as follows: Senior Consultant (Retired Executive Vice-President) - Rizal Commercial Banking Corporation. Mr. Zosa's professional work experience include the following: Senior Vice President/Strategic Planning Head at Equitable PCI Bank; Managing Director (ex-officio) – PCI Capital Corporation; Head of Branches, Customer Services –Manila Electric Company. He obtained his MBA from the Wharton School, University of Pennsylvania.

Charles Sylvestre A. Garcia, 53 years old, Filipino, is a Director of the Company and Member of the Company's Executive Committee since 2004. Mr. Garcia also sits in the board of VECO since 2007.

Efren P. Sarmiento, 62 years old, Filipino, is a Director of the Company and a Member of the Executive Committee since 2003. Mr. Sarmiento is also the Chairman of Detalia Aurora, Inc. and is a Director of Reunion Holdings, Inc. Other positions held in the past include: President, Mindanao Rattan Corporation; Past Director, Batolini S., Inc., Manila Machineries & Supply, Sarmiento Securities Corporation, Vitarich Corporation and Philippine Fried Chicken, Incorporated.

Emil Andre M. Garcia, 36 years old, Filipino, has been a Director of the Company since 2009. Mr. Garcia is also the Vice President for Operations and Business Development of the Company since January 2012. Prior to this, he held the Assistant Vice President position for Corporate Planning and Development of the Company from February 2011 to December 2011. Other positions currently held are as follows: Director of VECO since 2010; Director of Vivant-Malogo Hydropower Inc.; President of Calamian Islands Power Corporation; Secretary and Treasurer of Emag Resources and Development Corporation. He was also the President of Christ Company in 2009 to 2011. Mr. Garcia graduated from Velez College in 1998 with the degree in Bachelor of Science in Medical Technology.

Jose Marko G. Sarmiento, 36 years old, Filipino, is a Director and Member of the Executive Committee of the Company since 2008. Mr. Sarmiento is also a Director (since 2005) and is the Chief Operating Officer of JEG Development Corporation (since 2009). Prior to this, he was the Treasury Manager of JEG Development Corporation and was the Vice President for Manufacturing at Detalia Aurora.

Antonio S. Abacan,[3] Jr., 71 years old, Filipino, has been a Director of the Company since June 2012. Mr. Abacan also holds the following positions: Group Vice Chairman – Metrobank Group of Companies; Chairman of Advisory Board – Metropolitan Bank Trust Company; Chairman, Toyota Financial Services, (Phils.) Inc., Sumisho Motor Finance Corp.; Manila Medical Services, Inc.; Federal Homes, Inc., Baywatch Realty Corp., Circa 2000 Homes, Inc., Baywatch Project Management Corp., Manila GT Medical Center; President Metrobankers Foundation; Vice Chairman/Executive Director – Global Business Power Corp.; Director – Cebu Energy Development Corp. and Panay Energy Development Corp.; Adviser First Metro Investment Corp., Philippine AXA Life Insurance Corp., Toyota Manila Bay Corp., Toyota Cubao Inc.; Director/Corporate Secretary and Treasurer - LGU Guarantee Corp.; Director Taal

[3] Resigned on July 23, 2013 and disclosed on SEC Form 17-C on the same date.

Land Inc., Cebu Holdings Inc.; Trustee - Manila Tytana Colleges; Chairman of Banking Philippine Chamber of Commerce and Industry; Governor Makati Commercial Estate Corp.; President Philippine Drug Abuse Resistance Education.

Raul Ch. Rabe, 74 years old, Filipino, has been the Independent Director of the Company since 2003. Other positions currently held or held in the past are the following: Chairman, ACK Freight Express, Inc. since 1999; Counsel of the Law Firm of Rodrigo, Berenguer & Guno (Makati City); Corporate Secretary - Manila Economic & Cultural Office (MECO) since 2001; Director - the Bank of Commerce, KGL-Negros Navigation, Pet Plans, Inc. (Makati City); Foreign Service Officer of the Department of Foreign Affairs (1968 to 1999); Third to Second Secretary in London (1972 to 1975); First Secretary in Bucharest (1975 to 1979); Chief Deputy of Protocol of the Department of Foreign Affairs (1979 to 1981); Minister Counselor in Jeddah (1981 to 1982); Minister and later Deputy Chief of Mission in Washington D.C., (1982 to 1984 and 1986 to 1989, respectively); Consul General in Honolulu (1984 to 1986); Assistant Secretary of the American Affairs (1989 to 1992); Ambassador to Seoul (1992 to 1993); Ambassador to the United States (1993 to 1999); Special Envoy of the President of the Philippines for the Americas and OIC Countries in 2001.

Jesus B. Garcia, Jr., 68 years old, Filipino, is an Independent Director and concurrently, is the Chairman of the Audit Committee of the Company since 2004. Mr. Garcia was the Secretary of the Department of Transportation and Communications of the Republic of the Philippines for the period 1992 to 1996. Other positions currently held are as follows: Chairman - SunStar Publishing, Inc., Pan Arts Corporation, SunStar Management, Inc.; President, Jesever Realty Corporation, Madre Realty Corporation.

Arlo A. G. Sarmiento, 38 years old, Filipino, is the Executive Vice President and Chief Operating Officer of the Company since 2003. Mr. Sarmiento concurrently holds the following positions: Director and Chief Financial Officer of VEC; Director and Executive Vice President of VECO; Director and Treasurer of Cebu Private Power Corporation; Director of Delta P, Inc., 1590 Energy Corp., VICSAmlan Holdings Corp.; Director and Chief Operating Officer of Hijos de F. Escaño, Inc. and Vivant-Malogo Hydropower Inc.; President of Vivant-Sta. Clara Northern Renewables Generation Corporation; Chief Financial Officer of VC Ventures Net, Inc., Vivant Integrated Generation Corporation, and JEG Development Corporation. Mr. Sarmiento holds a degree in Bachelor of Arts in Social Sciences from the Ateneo de Manila University.

Minuel Carmela N. Franco, 42 years old, Filipino, joined Vivant as its Vice President for Finance in May 2013. Past positions held are as follows: Trader, Associate and Credit Analyst at Multinational Investment Bancorporation and Capital One Equities Corporation from 1992 to 1994; Investment Analyst at Kim Eng Securities Inc. and ING Barings (Phils), Inc. from 1994 to 1997; Investment Officer at Standard Chartered Bank's Investment Services Group from 1998 to 2000; Project Analyst at Newgate Management, Inc. from 2000 to August 2002, Investor Relations Officer and Senior Project Analyst (Corporate Planning Group) at San Miguel Corporation from September 2002 to June 2007; Head of Investor Relations at Aboitiz Equity Ventures, Inc. and Aboitiz Power Corporation from July 2007 to December 2012. Ms. Franco holds a degree in Bachelor of Science in Business Economics (Cum Laude) from the University of the Philippines.

Maria Victoria E. Sembrano, 52 years old, Filipino, is the Assistant Vice President for Finance and Administration of the Company since 2012. Before joining the Company, Ms. Sembrano was the Corporate Services Director of the Marsman Drysdale Agribusiness Group. Prior to this, other positions held in the Marsman Drysdale Agribusiness Group starting 1992 include positions in Finance, Logistics and Administration. Ms. Sembrano holds a degree in Bachelor of Science in Commerce, Major in Accounting (Magna Cum Laude) from the University of San Carlos.

Atty. Macario C. Padullo, Jr., 37 years old, Filipino, is the Assistant Vice President for Corporate Management Systems of the Company since February 2011. Prior to this, Mr. Padullo held the following positions in the Company: Finance Manager from 2009 to 2011 and Finance Officer from 2003 to 2009. He is a member of the Integrated Bar of the Philippines and the Philippine Institute of Certified Public Accountants. Mr. Padullo holds a degree in Bachelor of Science in Accountancy from the University of San Carlos. He obtained his degree in Bachelor of Laws (Class Valedictorian) from the University of Cebu in 2009.

Juan Eugenio L. Roxas, 43 years old, Filipino, is the Assistant Vice President for External Affairs since March 2011. Concurrently, Mr. Roxas holds the following positions: Vice President for External Affairs at 1590 Energy Corporation; Vice President of Amlan Hydro Power Inc.; President of ICS Renewables Inc.; Auditor and Member of the Philippine Independent Power Producer Association's Board of Trustee. His professional experience is characterized by an extensive background in public-private relations having served as a consultant to and held administrative positions in various organizations. Mr. Roxas holds a degree in Bachelor of Science in Business Administration, Major in Management (Presidential and Leadership Awardee) from the St. Paul University (Dumaguete City). He also took a postgraduate course in Finance at the Ateneo de Manila University's Center for Continuing Education.

Jess Anthony N. Garcia, 41 years old, Filipino, is the Corporate Secretary and Corporate Information Officer of the Company since 2003. Mr. Garcia concurrently acts us the Corporate Secretary of VECO, Corporate Secretary of VEC, Vivant-Sta. Clara Northern Renewables Generation Corporation, 1590 Energy Corp., Vivant-Malogo Hydropower Inc., Vivant Integrated Generation Corporation, and SunStar Publishing, Inc. He obtained his *Juris Doctor* degree from the Ateneo de Manila University School of Law and is a member of the California Bar since 2002 and of the Philippine Bar since 1998. Mr. Garcia is the Managing Partner of J.P. Garcia and Associates.

Joan A. Giduquio-Baron, 43 years old, Filipino, is the Assistant Corporate Secretary and Compliance Officer of the Company since 2003. Ms. Baron also holds the following positions: Acting Corporate Secretary of VECO and Vivant Integrated Generation Corporation; Corporate Secretary of JEGVEG Realty, Inc., JEG Development Corporation. She obtained her *Juris Doctor* from the Ateneo de Manila University School of Law in 1996 and her Master in Management degree from the Asian Institute of Management (AIM) in 2001. Ms. Baron is a member of the Philippine Bar since 1997. She is a Partner at J.P. Garcia and Associates. Prior to this, she was an Associate Attorney at Puno and Puno Law Offices from 1997 until 2001.

(ii) Nominees for Election as Members of the Board of Directors

The following served as members of the Board of Directors in 2013 and will continue to serve until the 2014 Regular Stockholders' Meeting during which their successors will be elected and qualified:

1. Dennis N. A. Garcia
2. Emil Andre M. Garcia

3. Gil A. Garcia II
4. Charles Sylvestre A. Garcia
5. Elbert M. Zosa
6. Ramontito E. Garcia
7. Efren P. Sarmiento
8. Jose Marko Anton G. Sarmiento
9. Antonio S. Abacan, Jr.[4]
10. Amb. Raul Ch. Rabe (Independent Director)
11. Atty. Jesus B. Garcia, Jr. (Independent Director)

(iii) Procedure for Nomination

In accordance with the Manual on Corporate Governance, the Nomination Committee had pre-screened the list of candidates nominated to become a member of the Board of Directors in accordance with the procedures, qualifications, disqualifications and guidelines specified in the said Manual.

In consonance with SEC Memorandum Circular No. 16, Series of 2002, no nominations for independent director shall be accepted at the floor during the stockholders' meeting during which such nominee is to be elected. However, independent directors shall be elected in the stockholders' meeting during which other members of the Board are to be elected.

(iv) Term of Office of a Director

Pursuant to the Company By-laws, the directors are elected at each regular annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election and until his successor is duly elected unless he resigns, dies or is removed prior to such election.

The eleven (11) directors, who should be stockholders of the Company, shall be elected annually by the stockholders during the annual stockholders' meeting, where at least a majority of the outstanding capital stock should be present in person or by proxy. The Directors shall serve for a term of one (1) year and until the election and qualification of their successors.

Any vacancy occurring in the Board of Directors may be filled by the remaining members of the Board, if they still constitute a quorum, by a majority vote; and the director so chosen shall serve for the unexpired term or until his successor is duly elected and qualified.

2. Significant Employees

The Company considers its entire work force as significant employees. Everyone is expected to work together as a team to achieve the Company's goals and objectives.

(i) Family Relationships

Messrs. Dennis N. A. Garcia, Charles Sylvestre A. Garcia and Gil A. Garcia, II are brothers, or relatives within the second civil degree by consanguinity.

[4] Resigned on July 23, 2013 and disclosed on SEC Form 17-C on the same date.

Mr. Ramontito E. Garcia is a relative of the fourth civil degree by consanguinity (cousin) of Messrs. Dennis N. A. Garcia, Charles Sylvestre A. Garcia and Gil A. Garcia, II and a relative of the second civil degree by affinity (brother-in-law) of Mr. Efren P. Sarmiento.

Mr. Elbert M. Zosa is a brother-in-law of Messrs. Dennis N. A. Garcia, Charles Sylvestre A. Garcia and Gil A. Garcia, II - or a relative within the second civil degree by affinity.

Messrs. Arlo A. G. Sarmiento and Jose Marko Anton G. Sarmiento are sons of Mr. Efren Sarmiento, and relatives within the third civil degree by consanguinity (nephew) of Mr. Ramontito E. Garcia.

Mr. Emil Andre M. Garcia is the son of Dennis N. A. Garcia, and the nephew of Messrs. Charles Sylvestre A. Garcia and Gil A. Garcia (third civil degree by consanguinity).

(ii) Involvement in Certain Legal Proceedings

To the knowledge and/or information of Vivant, the above-named Directors and Executive Officers are not, or have not, during the last five (5) years, been involved in criminal, bankruptcy or insolvency investigations or proceedings. There is also no bankruptcy petition filed by or against any business of which they were general partners or executive officers at the time of the bankruptcy or within two years prior to that time.

To the knowledge and/or information of the Issuer, the said persons have not been convicted by final judgment or any offense punishable by the laws of the Republic of the Philippines or of the laws of any other nation/country, including being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities.

To the knowledge and/or information of the Company, the said persons have not been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

Vivant believes that in addition to the aforementioned officers, the entire workforce will contribute to its success.

Item 10. Executive Compensation

1. Compensation of top five (5) executive officers

Information as to the aggregate compensation paid and accrued during the last two calendar years to the Company’s President and the four (4) most highly compensated executive officers and directors are as follows:

SUMMARY COMPENSATION TABLE
Annual Compensation

Name and Principal Position	Year	Salary	Bonus	Other Compensation
Top Five Highly Compensated Executives 1. Ramontito E. Garcia – President 2. Arlo A.G. Sarmiento – EVP/COO 3. Emil Andre M. Garcia – VP for Operations & Business Development 4. Minuel Carmela N. Franco – VP Finance 5. Juan Eugenio L. Roxas – AVP for External Affairs				
All above-named officers as a group	2013	Php 14.9 mn	Php 7.9 mn	
	2012	Php 13.1 mn	Php 4.3 mn	
All other directors and officers as a group unnamed	2013	Php 3.8 mn	Php 2.8 mn	Php 11.4 mn
	2012	Php 2.3 mn	Php 0.6 mn	Php 10.9 mn

2. Compensation of Directors

Other than honoraria for meetings attended, there are no standard arrangements pursuant to which directors of the Issuer are compensated, or are to be compensated, directly or indirectly, for any services provided as a director, including any additional amounts payable for committee participation or special assignments for the last completed fiscal year and the ensuing year.

Other than the indirect compensation of two directors via consultancy contracts that were in place during the Company's last fiscal year, there are no arrangements, including consulting contracts, pursuant to which any director of the registrant was compensated, or is to be compensated, directly or indirectly, during the Company's last completed fiscal year, and the ensuing year, for any service provided by such director. Aforementioned consultancy contracts involving indirect compensation of the registrant's two directors will be in place in the ensuing year.

3. Employment Contracts and Termination of Employment and Change-in-Control Arrangements

Vivant has no existing compensation plan or arrangement with any of its executives in case of resignation or any other termination of employment or from a change in the management control of the Company.

4. Warrants and Options Outstanding: Repricing

There are no outstanding warrants or options held by the named executive officers, and all officers and directors as a group, as identified in Part III, Item 9. Moreover, at no time during the last completed fiscal year did the Company adjust or amend the exercise price of stock warrants or options previously awarded to the aforementioned officers and directors.

Item 11. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Record and Beneficial Owners (more than 5%)

As of the date of preparation of this report, the following are the persons known to the Company to be the direct or indirect record or beneficial owner of more than 5% of any class of the Issuer's voting securities:

Title of class	Name and address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent Held
Common Shares	Mai-I Resources Corporation 375-G Acacia St., Lahug, Cebu City / Stockholder	Mai-I Resources Corporation**	Filipino	464,831,568	45.42%
Common Shares	JEG Development Corporation Advent Business Center Lahug, Cebu City / Stockholder	JEG Development Corporation*	Filipino	311,524,642	30.44%
Common Shares	Mirant Global Corporation / Stockholder	Mirant Global Corporation***	Filipino	116,555,553	11.39%
Common Shares	PCD Nominee (Filipino) Participants are stockholders of the Company	Various PCD participants	Filipino	67,485,926	6.59%
Common Shares	All directors (as a group)	All directors	Filipinos	952,760	0.00%

**Either Mr. Dennis N. A. Garcia or Mr. Gil A. Garcia, II or Mr. Charles Sylvestre A. Garcia, Directors of MAI-I Resources Corporation (MRC) will vote for the shares of MRC in Vivant in accordance with the directive of the MRC Board of Directors.*

***Either Mr. Ramontito E. Garcia or Mr. Jose Marko G. Sarmiento, Chairman and Chief Operating Officer of JEG Development Corporation (JDC), respectively, will vote for the shares of JDC in Vivant in accordance with the directive of the JDC Board of Directors.*

****Mr. Antonio S. Abacan, Jr. will vote for the shares of Mirant Global Corporation (MGC) in Vivant in accordance with the directive of the MGC Board of Directors.*

2. Security Ownership of Management

The following are the amount and nature of ownership of each member of the Board of Directors:

Title of Class	Name of Beneficial Owners and Position	# of Shares and Nature of Ownership		Citizenship	% Own
Common Shares	Dennis N.A. Garcia	Direct	1	Filipino	0.0%
	Chairman of the Board	Indirect	952,125		0.1%
Common Shares	Emil Andre M. Garcia	Direct	1	Filipino	0.0%
	Director/VP – Operations and Business Devt	Indirect	0		0.0%
Common Shares	Gil A. Garcia II	Direct	1	Filipino	0.0%
	Director/Treasurer	Indirect	0		0.0%
Common Shares	Charles Sylvestre A. Garcia	Direct	1	Filipino	0.0%
	Director	Indirect	0		0.0%
Common Shares	Elbert M. Zosa	Direct	626	Filipino	0.0%
	Director	Indirect	0		0.0%
Common Shares	Ramontito E. Garcia	Direct	1	Filipino	0.0%
	Director/President	Indirect	0		0.0%
Common Shares	Efren P. Sarmiento	Direct	1	Filipino	0.0%
	Director	Indirect	0		0.0%
Common Shares	Jose Marko Anton G. Sarmiento	Direct	1	Filipino	0.0%
	Director	Indirect	0		0.0%
Common Shares	Raul Ch. Rabe	Direct	1	Filipino	0.0%
	Independent Director	Indirect	0		0.0%
Common Shares	Jesus B. Garcia, Jr.	Direct	1	Filipino	0.0%
	Independent Director	Indirect	0		0.0%
Common Shares	Arlo A.G. Sarmiento	Direct	37,300	Filipino	0.0%
	EVP/Chief Operating Officer	Indirect	0		0.0%
Common Shares	Minuel Carmela N. Franco	Direct	0	Filipino	0.0%
	VP - Finance	Indirect	20,300		0.0%
Common Shares	Maria Victoria E. Sembrano	Direct	0	Filipino	0.0%
	AVP - Finance and Admin	Indirect	0		0.0%
Common Shares	Atty. Macario C. Padullo Jr.	Direct	9,400	Filipino	0.0%
	AVP - Corporate Management Systems	Indirect	0		0.0%
Common Shares	Juan Eugenio L. Roxas	Direct	0	Filipino	0.0%
	AVP – External Affairs	Indirect	0		0.0%
Common Shares	Atty. Jess Anthony N. Garcia	Direct	0	Filipino	0.0%
	Corporate Secretary	Indirect	0		0.0%
Common Shares	Atty. Joan A. Giduquio-Baron	Direct	0	Filipino	0.0%
	Assistant Corporate Secretary	Indirect	0		0.0%
TOTAL		**Direct**	**47,335**		**0.0%**
		Indirect	**972,425**		**0.1%**

Item 12. Certain Relationships and Related Transactions

During the last two (2) years there was no transaction with or involving the Company or any of its subsidiaries in which a director, executive officer, or stockholder owns ten percent (10%) or more of total outstanding shares and members of their immediate family had or is to have a direct or indirect material interest.

PART IV – CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Self-Rating Form of the Securities and Exchange Commission, the criteria and the rating system therein as a means of measurement or determination of the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance. To ensure compliance with leading practices on good corporate governance, members of the board of directors and top-level management are encouraged to attend seminars on good corporate governance. The Company has substantially complied with the provisions of its Revised Manual on Corporate Governance, and the same has been disclosed to the Commission. It has plans to improve corporate governance by adopting good corporate practice recognized in more progressive corporations and incorporating the same in its Manual.

In compliance with the full disclosure rules on the Code of Corporate Governance, the Revised Manual on Corporate Governance (the "Manual"), and the reportorial requirement of the Commission on the extent of compliance by the company with its Manual, the undersigned hereby certifies that the company has substantially complied with the provisions thereof.

As of the date of this Report, there are no changes in the corporate governance structure and practice.

Compliance with The Minimum Public Ownership Requirement

The Company is compliant with the Rule on Minimum Public Ownership, as amended. Based on information that is publicly available to the Company and within the knowledge of its directors it has 12.6557% public float as of March 31, 2014, which is the latest practicable date.

PART V - EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

1. Exhibits

Index of Exhibits

Exhibit	Description
A	Vivant's Corporate Structure
B	Audited Financial Statements as of December 31, 2013
C	Audited Financial Statements as of December 31, 2012
D	Audited Financial Statements as of December 31, 2011

2. Reports on SEC Form 17-C

Reports filed by Vivant on SEC Form 17-C from May 2013 to March 2014 are as follows:

(1) Approval of the 2012 Audited Financial Statements, postponement of the 2013 Annual Stockholders' Meeting to June 27, 2013, setting of Record Date of Stockholders allowed to vote disclosed on May 2, 2013;

(2) Declaration of cash dividends disclosed on June 20, 2013;

(3) Report on the results of the 2013 Annual Stockholders’ Meeting and Organizational Meeting of the Board of Directors disclosed on June 27, 2013;

(4) Press statement disclosed on June 27, 2013;

(5) Resignation of Director Antonio Abacan, Jr. disclosed on July 23, 2013;

(6) Selection of a contractor for Engineering, Procurement, and Construction (EPC) for the 750 kW diesel power plant in Busuanga and the 8 mW bunker-fired power plant in Coron of Calamian Islands Power Corporation (CIPC) disclosed on August 1, 2013;

(7) Clarification of the August 8, 2013 *Business World* article on August 8, 2013;

(8) Clarification of the August 29, 2013 *Manila Standard Today* article on August 29, 2013;

(9) Execution of a Back-Up Power Supply Contract between NR and Manila Water Company disclosed on September 12, 2013;

(10) Execution of a Term Loan Agreement by CIPC with Metropolitan Bank and Trust Company disclosed on September 12, 2013;

(11) Compliance with the Manual on Corporate Governance for the year 2013 disclosed on January 8, 2014;

(12) Certificate of Attendance of members of the Board of Directors during the special and regular meetings of the Board for 2013 disclosed on January 13, 2014;

(13) Supreme Court impleading 1590 EC and NR as third-party respondents in the cases entitled (a) Bayan Muna Representatives Neri Javier Colmenares, et al. vs. Energy Regulatory Commission (ERC) docketed as G.R. Nos. 210245, and (b) National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et. al. docketed as G.R. No. 210255, respectively (the “Petitions”), disclosed on January 13, 2014;

(14) Execution of an agreement by the Company to issue Php 3 billion in Fixed Rate Corporate Notes, which will partly fund its capital expenditures;

(15) Execution of a Memorandum of Understanding between Vivant Integrated Generation Corporation (VIGC) and Mindanao Energy Systems, Inc. (Minergy) on possible equity investment/s by VIGC in Minergy's future power generation projects, disclosed on February 19, 2014; and

(16) Execution of an Interim Power Supply Agreement between 1590 EC and Meralco disclosed on April 3, 2014.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Cebu on the 21st day of April 2014.

By:

Ramontito E. Garcia

RAMONTITO E. GARCIA
Principal Executive Officer

ARLO A.G. SARMIENTO
Principal Operating Officer

MINUEL CARMELA N. FRANCO
Principal Finance Officer

MARIA VICTORIA E. SEMBRANO
Principal Accounting Officer

JESS ANTHONY N. GARCIA
Corporate Secretary

Republic of the Philippines)
City/Province of Cebu)S.S.

SUBSCRIBED AND SWORN to before me this APR 21 2014 affiants exhibiting to me their Drivers' License or Passport details as follows:

Names	Driver's License	Expiry Date
Ramontito E. Garcia	G01-83-053682	6 Feb 2015
Arlo A.G. Sarmiento	G06-93-015481	18 Dec 2014
Minuel Carmela N. Franco	N02-89-113805	9 Nov 2015
Maria Victoria E. Sembrano	G01-82-019604	9 Sept 2015
Jess Anthony N. Garcia	G01-00-273191	1 June 2015

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Page No. 81;
Book No. XI;
Series of 2014.

ATTY. JOAN A. GIDUQUIO-BARON
NOTARIAL COMMISSION NO. 031-09
NOTARY PUBLIC
CEBU CITY
UNTIL DECEMBER 31, 2014
UNITS 1501-1502 AYALA LIFE FGU CENTER
CEBU BUSINESS PARK, CEBU CITY
ROLL NO. 41829
PTR NO. 403097 - CEBU CITY - 01/06/14
IBP NO. 937081 - CEBU CITY - 01/06/14

VIVANT CORPORATION AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2013