APC GROUP INC.

April15, 2014

DISCLOSURE DEPARTMENT
PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City 1226

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Gentlemen:

We hereby submit the Annual Report of APC Group, Inc. under SEC Form 17A for the calendar year ended December 31, 2013.

We trust the foregoing is in order.

Very truly yours,

Jackson T. Ongsip
Executive Vice-President/
Chief Finance Officer

Ground Floor, PhilCom Building
8755 Paseo de Roxas, Makati City
Metro Manila, Philippines
Tels.: (632) 845-0620; 845-0621
(632) 845-0637; 845-0638
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COVER SHEET

A S 0 9 3 - 8 1 2 7

S. E. C. Registration Number

A P C G R O U P , I N C .

(Company's Full Name)

8 TH F L O O R P H I L C O M B U I L D I N G

8 7 5 5 P A S E O D E R O X A S

M A K A T I C I T Y

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

MONETTE T. CRUZ

Contact Person

845-0614

Company's Telephone Number

1 2 3 1

Month Day

Fiscal Year

SEC FORM 17-A

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Number of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

LCU

Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC 17-A REPORT

**ANNUAL REPORT PURSUANT TO SECTION 11
OF THE REVISED SECURITIES ACT AND SECTION 141
OF CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended 2013

2. SEC Identification Number ASO93-008127 3. BIR Tax Identification No. 002-834-075

4. Exact name of registrant as specified in its charter APC Group, Inc.

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

6. _________(SEC Use Only)
Industry Classification Code

7. 8TH FLOOR, PHILCOM BUILDING 8755 PASEO DE ROXAS, MAKATI CITY
Address of principal office Postal Code 1226

8. 845-0614; 845-5465 (Area Code 632)
Registrant's telephone number, including area code

9 NA
Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Section 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Oustanding
Common Stock	7,511,809,997 shares

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

Yes (x) No ( )

12. Check whether the registrant

(a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA rule 11 (a)-1 there under and Sections 26 and 141 of the Corporation code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) :

Yes (x) No ( )

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

Yes (x) No ( )

13. Aggregate market value of the voting stock held by non-affiliates: P2,461,496,104

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. <u>Business</u>

Description of Business

APC GROUP, INC. (APC or the Company) was registered with the Securities & Exchange Commission (SEC) on October 15, 1993 for the primary purpose of engaging in oil and gas exploration and development in the Philippines. The Company's shares of stock were approved for listing with the Manila Stock Exchange on February 16, 1994. The Company is 46.59% owned by Belle Corporation, another publicly-listed company.

SEC approved the increase in its authorized capital stock from P800 million to P1.8 billion on December 29, 1995. The Articles of Incorporation were amended decreasing the number of directors from fifteen (15) to thirteen (13) and expanding the denial of pre-emptive right to include issuances of the Company's capital stock from increases in the original authorized capital stock. In line with its diversification efforts and plans to engage in its secondary purposes, the name of the Company was changed from Asian Petroleum Corporation to APC Group, Inc.

On October 16, 1996, the stockholders of APC approved another increase in authorized capital stock from P1.8 billion to P20 billion in order to finance the Company's new projects and investments. Of the increase in authorized capital stock, P6,439.0 million shares were subscribed at P0.014 per share through private placements.

The stockholders also approved the classification of shares into common and preferred in order to give the Company flexibility in sourcing for funds. On April 30, 1997, the Securities and Exchange Commission approved the change of the Company's primary purpose from oil and gas exploration to that of a holding company. Further, the par value of the Company's shares was increased from P0.01 to P1.00 per share**.**

In 2007, APC Group and Belle Corporation agreed that the advances of APC from Belle amounting to P3.675 billion will be offset against subscriptions receivable from Belle representing 3,500 million shares subscribed at P1.40 a share and the excess over par will be recognized as Additional Paid in Capital (APIC) upon finalization of the details of the agreement. This is explained in Note 17 of the Audited Financial Statements.

In 2005, the Parent Company created new companies, namely, Aragorn Power and Energy Corporation (APEC), Aragorn Coal Resources, Inc (Aragorn Coal) and APC Mining Corporation (APC Mining). These companies were established in line with the government's thrust in developing the country's energy and mining sectors. The prospects in these industries are bolstered by the government's decision to open up this sector to foreign investors. Thus, APC will concentrate in energy resource exploration and development and pursue mining activities. The government's thrust to encourage investments in these sectors augurs well with the Company's investment direction.

APC has investments in energy related projects, mining and a cement project.

Employees

APC Group Inc. had a total of 7 employees as of December 31, 2013.

Risks

Aragorn Coal Resources, Inc.

The Company has a Coal Operating Contract signed in January 2007 with the Department of Energy. In order to minimize risk, the Company will invite joint venture partners to further explore and develop the coal project in Isabela.

SUBSIDIARIES

Aragorn Power and Energy Corporation

APEC is still in the pre-operating stage. It was established to engage in energy resource exploration and development.

Kalinga Apayao Geothermal Service Contract.

In 2008, the APEC was granted a Geothermal Service Contract (GSC) by the Department of Energy (DOE) located in the Province of Kalinga. The GSC was granted after a Certificate Precondition (CP) from the National Commission of Indigenous People (NCIP), covering a major portion of the geothermal service area, was secured. The GSC was converted into a Geothermal Renewable Energy Service Contract (GRESC) in late March 2010 to avail of the incentives provided under the Renewable Energy Act (RE) of 2008. As of March 28, 2014, the consent of nine (9) out of eleven (11) ancestral domains has been secured covering 85% of the geothermal service contract area.

In November 2010, APEC and its partner Guidance Management Corporation (GMC) formed a partnership with Chevron Geothermal Philippines Holdings, Inc. (Chevron) in developing the geothermal area in November 2010. The parties signed a Farm-out Agreement which gives APEC and GMC the option to take an equity position of up to 40% in the geothermal project. The parties also signed a Joint Operating Agreement. Under the agreement, Chevron will be responsible for the exploration, development and operation of the steam field and power activities. The effectivity of the two agreements hinges on the approval by the government of the application for a Financial and Technical Assistance Agreement (FTAA).

Under the Renewable Energy (RE) Act of 2008, a foreign company can own majority interest in an RE company provided the Service Contract is converted into an FTAA. The application for an FTAA has been filed with the DOE.

The project involves the development of steam fields that can generate around 100 megawatts (MW) of new capacity, providing an additional source of clean, indigenous and reliable baseload power to the Luzon grid. A 100 MW geothermal project will approximately cost more than US$300 million. This GRESC will be the first major international investment in the country under the Renewable Energy Act of 2008.

As at December 31, 2013, APEC accomplished exploration activities that include Geological and Geochemical surveys and the Magneto-Telluric Geophysical survey has been completed. Community development projects were also undertaken in the various ancestral domains.

Sub-Phase 3 (Drilling of Exploratory wells) of the exploration work program will be done in 2015. The exploration wells will take about six months to complete. If the results of the exploration wells prove positive, construction of the power plant will then be started. Although there is a delay in the drillings of exploration wells, efforts will be exerted to come close to the targeted 2018 commercial operations.

In October, 2013, the DOE approved a one (1) year extension of the term of Geothermal Service Contract.

PRC-MAGMA Energy Resources Inc.

PRC-Magma is still in its pre-operating stage. It was registered with the SEC on June 10, 2009 to engage in the business of exploration, development, and exploitation, and processing of renewable and non-renewable energy resources, including but not limited to wind, power, solar power, hydropower, biofuels, biomass, and coal; exploration, mining and processing of metalliferous and non-metalliferous mineral and ore resources; trading and supply of energy and mineral resources; and generation of electric power using energy resources. In September 2012, the Declaration of Trust between the Company on one hand and KAGRI and Apayao 888 on the other hand were revoked resulting in the increase to 85.0% ownership in PRC-Magma.

In March 2010, the GRESC for Mainit-Sadanga in Mountain Province and Buguias-Tinoc in Benguet and Ifugao Provinces were awarded to PRC-Magma. Remote sensing studies and re-evaluation of previous studies were conducted which highlighted potential geothermal prospect areas that warrant further investigation. Interpretations of processed Shuttle Radar Topology Mission (SRTM) Imageries are ongoing.

Mainit-Sadanga Geothermal Project. The Mainit-Sadanga Geothermal Project has a total area of 58,911 hectares. It has a power generation potential of 60-100 MW. From the initial investigations, two volcanic centers representing two separate geothermal reservoirs are possibly present in the area located in south-southwest of Kalinga.

Buguias-Tinoc Geothermal Project. The Buguias-Tinoc Geothermal Project has a total area of 35, 424 hectares covering two municipalities of Benguet Province as well as two municipalities of Ifugao Province. It also has a power potential of 60-100MW. Previous studies involving resistivity surveys identified a clear low resistivity anomaly encompassing an approximately 7.5 sq. kilometers in Tukukan area which coincided with the occurrence of thermal manifestations. Present data suggest a highly prospective geothermal reservoir, a majority portion of which lies outside the Mt. Pulag National Park.

Aragorn Coal Resources, Inc.

Aragorn Coal is still in the pre-operating stage. It was established to engage in coal resource exploration and development. It has a Coal Operating Contracts (COC) with the Department of Energy (DOE) signed in January 2007 located in Isabela covering 3,000 hectares.

The Isabela project has been put on hold because of the anti-mining sentiment of the local government units and the community. Partial exploration works had been conducted and will be resumed once LGU/community acceptance is secured. The COC is adjacent to the coal areas of PNOC.

The COC in Masbate was dropped because the coal deposit is deep seated and not of commercial quantities.

APC Mining Corporation

All mining projects were discontinued so that the Company can devote its resources to its energy and cement projects.

Environment and General Services, Inc.

EGSI which is engaged in manpower services was sold in early 2013.

OTHER SUBSIDIARIES

APC Cement Corporation was established to engage in the manufacture of cement. The cement plant was envisioned to manufacture 1.5 million tons of cement a year. The company has two (2) Mineral Production and Sharing Agreements (MPSA) with the DENR-MGB covering more than 1,000 hectares of land containing limestone deposits. The project is located in the Municipality of Ginatilan in Southern Cebu.

From November 2010 up to April 2011, thirteen (13) holes were drilled covering an area of approximately 29 hectares. Proven and probable reserves in the drilled area are sufficient to supply the limestone requirements of the cement plant for more than 50 years.

A Revised Feasibility Study for a 1.5 million Metric Tons Cement Project was prepared in July 2011. The study concluded that the cement project is financially viable offering an attractive rate of return. Management is currently seeking prospective partners.

Item 2. **Property**

Description of Property

Company/Owner	Location	Description
APC Group, Inc.	Ginatilan & Malabuyoc, Bo. Guiwanon, Cebu City	Mining claims covered by MPSA No. 100-97 and MPSA No. 101-97-VII with total area of 1,052 Hectares

Item 3. Legal Proceedings.

There are no legal proceedings against the Company.

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

(A) At the Annual Stockholders' Meeting held on June 18, 2013, the following were elected as Directors: Willy N. Ocier, Frederic C. DyBuncio, Bernardo D. Lim, Edmundo L. Tan, Virginia A. Yap, and Tomas D. Santos. Tomas D. Santos was elected **independent director**.

(B) The following matters were approved unanimously:

- Minutes of the 2012 Annual Stockholders' Meeting
- 2012 Operations and Results and Financial Statements
- Ratification of all acts and Proceedings of the Corporation's Board of Directors, Executive Committee and Management
- SyCip Gorres Velayo & Company to be retained as the Company's external auditor

(C) APC Group, Inc. submitted SEC Form 17-C on the same matters stated herein.

PART II. OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholders Matters.

(a) **Market Price of and Dividends on Registrant's Common Equity and related Stockholders matters.**

(1) Market Information

(A) The principal market where the registrant's common equity is traded is the **Philippine Stock Exchange.**

The high and low sales prices for each quarter within the last two fiscal years of registrant's common shares as quoted on the Philippine Stock Exchange are as follows:

Quarter	2013		2012	
	High	Low	High	Low
First Quarter	.95	.74	.78	.67
Second Quarter	.93	.70	.71	.62
Third Quarter	.81	.63	.70	.60
Fourth Quarter	.77	.62	.88	.60

(2) Holders

(A) As of December 31, 2013, Registrant had 616 shareholders. On the said date, the following were the Top 20 Shareholders.

	No. of Shares Held*	Percentage to Total
1. Belle Corporation	3,500,000,000	46.59
2. PCD Nominee Corporation – Filipino	1,718,197,702	22.87
3. PCD Nominee Corporation-Non-Filipino	453,444,463	6.04
4. Dominion Equities, Inc	340,000,000	4.53
5. Compact Holdings, Inc.	281,000,000	3.74
6. Eastern Sec. Dev. Corp .	230,000,000	3.06
7. Integrated Holdings, Inc.	180,000,000	2.40
8. Elite Holdings, Inc.	168,500,000	2.24
9. Parallax Resources, Inc.	165,722,334	2.21
10. Equinox International Resources Corp.	100,000,000	1.33
11. Richold Investor Corporation	100,000,000	1.33
12. Gilt-Edged Properties, Inc.	68,616,665	0.91
13. Headland Holdings Corporation	55,500,000	0.74
14. Eastern Sec. Dev. Corp .	23,869,114	0.32
15. Lim Siew Kim	18,000,000	0.24
16. Tak Chang Investments Co., Ltd.	18,000,000	0.24
17. Coscolluela, William V.	10,000,000	0.13
18. Reyes, Vicente O. ITF:Peter Paul Phil. Corp.	8,332,000	0.11
19. Dharmala Sec. (Phils), Inc.	5,050,000	0.07
20. Singson, Evelyn R. ITF: Gilt-Edged Properties	3,933,333	0.05

* At par value of P1.00 per share

(B) N.A.

(3) Dividends

(A) None.

(B) The ability to pay dividends depends on the availability of retained earnings.

(4) Recent Sales of Unregistered Securities**.**

N.A.

Item 6. <u>Management's Discussion and Analysis or Plan of Operation</u>

2013 compared to 2012

Income Statement

Loss before income tax for the year 2013 amounted to P63.6 million while income before income tax amounted to P5.9 million for the year 2012. The increase in loss of P69.6 million was due to the increase in provision for impairment of deferred exploration costs and mining rights (P29.7 million), increase in other expense (P18.2 million), decrease in fair value gain on investment property (P25.3 million), partially offset by the increase in gain on sale of investments in subsidiary (P3.3 million).

•Additional provision for impairment of deferred exploration costs and mining rights amounted to P46.8 million following the discontinuance of all mining projects under APC Mining Corporation.

•Other expense in 2013 amounting to P11.9 million resulted mainly from a deconsolidation of a subsidiary compared to other income in 2012 amounting to P6.3 million which resulted mainly from reversal of impairment loss on investment and advances.

•There was no increase in fair value of the property located in Cebu for the cement project in 2013 compared to an increase of P25.3 million in 2012.

•Gain on sale of available-for-sale financial assets in 2013 amounted to P9.2 while gain on sale of investments in subsidiary in 2012 amounted to P5.9 million.

Net loss in 2013 compared to net income in 2012 amounted to P71.4 million and P5.2 million, respectively.

Other comprehensive loss amounted to P6.1 million and P1.3 million in 2013 and 2012, respectively. The increase in loss of P4.9 million was due to the increase in unrealized mark-to-market loss on available for sale financial assets amounting to P 2.0 million and the increase in re-measurement loss on defined benefit obligation amounting to P3.1 million.

As a result, total comprehensive loss amounted to P77.5 million in 2013 compared to total comprehensive loss of P4.0 million in 2012.

Balance Sheet

Total assets amounted to P368.1 million as of December 31, 2013 compared to P518.6 million as of December 31, 2012. The decrease of P150.5 million was due to:

•The increase in Cash (P29.1 million) was due mainly to collection of receivables from the sale of APC Properties, Inc. and APC Distribution Networks, Inc. which were sold in late 2012 and the sale of Environment and General Services, Inc. (EGSI) in 2013, which generated total cash proceeds of P49.7 million, partially offset by disbursements for operating activities (P12.7 million) and deferred exploration cost (P6.3 million).

•Decrease in Receivable (P14.0 million) was mainly due to collection of receivables from sale of investment in APC Properties and APC Distribution in 2012 (P24.7 million) partially offset by the additional receivable resulting from the sale of available-for-sale financial assets (P9.2 million).

•The decrease in Other Current Assets (P1.8 million) was mainly due to the deconsolidation of a subsidiary.

•Non Current Assets decreased by P44.2 million was due to the provision for impairment of deferred exploration costs of APC Mining Corporation (P46.8 million) and the fair value adjustment of available-for-sale financial assets (P4.0 million), partially offset by the additional deferred exploration costs (P7.3 million)

Total Liabilities amounted to P189.1 million as of December 31, 2013 compared to P262.1 million as of December 31, 2012. The decrease of P73.0 million was mainly due to the sale of a subsidiary (P78.0 million) partially offset by the increase accrued retirement costs (P2.6 million).

Stockholder’s equity decreased by P77.5 million from P256.5 million as of December 31, 2012 to P179.0 million as of December 31, 2013.

Below are the key performance of the Company and its majority- owned subsidiaries

		2013	**2012**
EBITDA	Earnings before interest, tax, depreciation and amortization	(P70.3 million)	P6.7 million
Current ratio	Current assets over current liabilities	84.6%	107.8%
Return on assets	Net income (loss) over total assets	(19.4%)	1.0%
Stockholders’ equity ratio	Stockholders’ equity over total assets	48.6%	49.5%
Debt to equity ratio	Total liabilities over stockholders’ equity	105.7%	102.2%

The Company does not foresee any cash flow problems during the next twelve months. The Company has enough cash to meet cash requirements in 2014.

The Company has no off-balance sheet transactions.
As of December 31, 2013, except for what have been mentioned in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

(A) Known trends, demands, commitments, events or uncertainties that would have a material impact on the company;
(B) Material commitments for capital expenditure;
(C) Known trends, events or uncertainties that are expected to have a material impact on revenues from continuing operations;
(D) Significant elements of income or loss that did not arise from the Company’s continuing operations aside from those mentioned in this report;
(E) Seasonal aspects that had a material impact on the company’s results of operations; and

(F) Material changes in the financial statements of the Company from the year ended December 31, 2012 to December 31, 2013.

2012 compared to 2011

Income Statement

Income before income tax for the year 2012 amounted to P5.9 million compared to P5.3 million for the year 2011. The increase of P0.6 million was due to fair value gain on investment property (P25.3 million), lower provision for impairment of deferred exploration costs and mining rights (P7.6 million) and higher other income (P2.7 million), partially offset by the lower gain on sale of investment and available-for-sale financial assets (P32.6 million), higher general and administrative expenses (P3.7 million).

•Fair value gain on investment properties amounted to P25.3 million in 2012 representing the increase in the value of the property located in Cebu for the cement project. This compares with the fair value gain of P0.05 million in 2011.

•Other income in 2012 (P6.3 million) resulted from the reversal of impairment loss on investments and advances while other income in 2011 (P3.7 million) was mainly due to rental income of a subsidiary.

•Gain on sale of investments and available-for-sale financial assets amounted to P6.0 million in 2012 representing the sale of shares of stocks of majority-owned APC Properties, Inc and minority-owned APC Distribution Networks, Inc., compared to P38.5 million in 2011 representing the sale of Belle shares owned by a subsidiary.

•An additional provision for impairment of deferred exploration costs and mining rights of P7.6 million was made for APCM and ACRI.

Net income in 2012 and 2011 amounted to P5.2 million and P8.7 million, respectively.

Other comprehensive loss amounted to P1.3 million and P38.0 million in 2012 and 2011, respectively. The decrease of P36.7 million was due to the realized gain on available-for-sale financial assets from Belle shares owned by a subsidiary booked in 2011 amounting to P38.6 million and the increase in re-measurement gain on defined benefit obligation (P2.4 million), partially offset by the decrease in unrealized mark-to-market gain on available-for-sale financial assets (P4.0 million).

As a result, total comprehensive income amounted to P4.0 million in 2012 compared to total comprehensive loss of P29.2 million in 2011.

Balance Sheet

Total assets amounted to P518.6 million as of December 31, 2012 compared to P575.3 million as of December 31, 2011. The net decrease of P56.8 million was due to:

•The increase in Cash (P25.0 million) was due mainly to collection of receivables (P40.1 million) basically from the sale of shares of stocks, proceeds from sale of APC Properties, Inc. and APC Distribution Networks, Inc. (P17.6 million), consolidation of PRC Magma in APC Group’s financial statements (P13.1 million), partially offset by cash used for operations (P16.3 million) and expenditures for exploration and development activities (P27.3 million).

•Decrease in Receivable (P72.7 million) mainly due to collection of receivables from sale of assets available for sale (P28.6 million) and reclassification of EGSI Receivables to Assets classified as held for sale (P56.6 million).

•The decrease in Other Current Assets (P30.5 million) mainly due to the reclassification of EGSI Other Current Assets to Assets classified as held for sale (P31.3 million).

•Assets Classified as held for Sale (P119.6 million) represent EGSI's assets lumped together in accordance with existing accounting standards. As mentioned earlier, EGSI is up for sale. These include Receivables (P65.6 million), cash (P2.2 million), equipment (P3.9 million) and Other Current Assets (P37.1 million).

•Non Current Assets decreased by P98.0 million with P12.1 million coming from EGSI, sale of APC Properties, Inc. and APC Distribution Networks, Inc. (P107.0 million), consolidation of PRC Magma (P22.7 million), increase in valuation allowance on deferred exploration costs and other investments (P17.6 million), partially offset with increase deferred exploration costs (P48.9 million), fair value gain on investment properties in Ginatilan, Cebu (P25.3 million).

Total Liabilities amounted to P262.1 million as of December 31, 2012 compared to P314.4 million as of December 31, 2011. The decrease of P52.4 million was due to the decrease in advances from a third party resulting from the sale of APC Properties, Inc. and APC Distribution Networks, Inc. (P65.1 million), partially offset with net reclassification of EGSI Liabilities to Liabilities directly associated with assets as held for sale (P16.5 million).

Stockholder's equity decreased to P256.5 million as of December 31, 2012 from P260.9 million as of December 31, 2012 or by P4.4 million

Below are the key performance of the Company and its majority – owned subsidiaries.

		2012	2011
EBITDA	Earnings before interest, tax, depreciation and amortization	P6.7 million	P2.8 million
Current ratio	Current assets over current liabilities	107.8%	74.3%
Return on assets	Net income (loss) over total assets	1.0%	(1.5%)
Stockholders' equity ratio	Stockholders' equity over total assets	49.5%	45.3%
Debt to equity ratio	Total liabilities over stockholders' equity	102.2%	120.5%

2014 Plan of Operation

The Company will focus on the following directions in 2014:

1. Continue with the development of its geothermal resources. Pursue the exploration work program for the Kalinga project. Secure the consent of the indigenous peoples in the two geothermal resources located in Mountain Province and Benguet for eventual farm out.

2. Continue to pursue the cement project in Cebu. Comply with the conditions of the two Mineral Production and Sharing Agreement (MPSA). Pursue the renewal of the Environmental Compliance Certificate which is now in the final stage of approval. This will make the project more attractive to a potential investor/partner.

Item 7. Financial Statements

The audited Financial Statements and Supplementary Schedules for the year 2013 are filed as part of this Form 17A.

APC GROUP AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

Item 8. Changes in and Disagreement with Accountants on Accounting and Financial Disclosures

Independent Public Accountants

SyCip, Gorres Velayo & Co., the Company's external auditors was reappointed as such for the current year during the annual stockholder's meeting last June 18, 2013.

In 2013, Christine G. Vallejo was assigned as SGV's partner-in-charge for the company. His appointment shall not exceed five (5) years in compliance with SEC Rule 68.

The Audit Committee* is composed of the following:

Laurito E. Serrano	Chairman
Virginia A. Yap	Member
Bernardo D. Lim	Member

*elected during the organizational meeting in June 18, 2013.

No principal accountant or independent accountants of the registrant has resigned, was dismissed or has ceased to perform services during the two (2) most recent fiscal years or any subsequent interim period.

There have been no disagreements with any accountant or any matter of accounting principles or practices, financial statement disclosure or auditing scope of procedure.

External Audit Fees and Services

1. Audit fees for the audit of the Company's annual financial statements amounted to P545,000 for 2013 and P780,000 for 2012.
2. a. No other assurance and related services were rendered in 2013 and 2012.
   b. No tax services were rendered by the external auditor in 2013 and 2012.
   c. There were no other fees paid to the external auditor in 2013 and 2012.
   d. The audit committee approved the policies and procedures of the above services. The Board of Director has established an audit committee to provide oversight of the external audit function and review of the internal audit function of the company.

Among the policies and procedures of the audit committees are:

- To monitor the integrity of the financial statements of the organization including the audited annual financial statement, the related financial internal controls and risk management system.
- To make recommendations to the Board on the appointment of the external auditor and to approve their remuneration and terms of engagement.
- To receive and consider the external audit plan in particular the adequacy of staffing and to recommend its acceptance to the Board.
- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process and to review the performance of the external auditor.
- To advise the board on policy in respect of the engagement of the external auditor to supply non-audit services.
- To ensure compliance with all legal and regulatory issues in respect of financial reporting.

PART III CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

All incumbent directors, elected on June 18, 2013 are to serve for a term of one (1) year until their successors shall have been duly elected and qualified. The names and ages of

Directors and the executive officers of the Registrant are:

Name	Age/yrs.	Position	Nationality
Willy N. Ocier	57	Chairman,	Filipino
Bernardo D. Lim	66	Director / Chief Finance Officer	Filipino
Edmundo L. Tan	68	Director / Corporate Secretary	Filipino
Frederic C. DyBuncio	54	President/Director-	Filipino
Tomas D. Santos	62	Director-independent	Filipino
Virginia A. Yap	63	Director	Filipino
Laurito E. Serrano	53	Director-independent	Filipino
Jackson T. Ongsip	40	Controller	Filipino

The Company's Board of Directors are vested by the by-laws of the Company over-all responsibility for the management of the Company's business. The Board of Directors elects the executive officers of the Company. The composition of the Board of Directors and the incumbent executive officers of the Company are as follows:

MEMBERS OF THE BOARD

Willy N. Ocier
Chairman

Mr. Willy N. Ocier is the Chairman of APC Group Inc. and has been a director of the Company since 1999. He is the Chairman of Philippine Global Communications, Inc., Sinophil Corporation, Premium Leisure Amusement, Inc., Tagaytay Midlands Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc., and the Spa and Lodge Inc. He is also the Chairman and President of Pacific Online Systems Corporation. He is the Co-Vice Chairman of Belle Corporation and Highlands Prime, Inc. and Vice Chairman of Tagaytay Highlands International Golf Club, Inc. He sits as Director of Leisure and Resorts World Corporation, IVantage Equities, and Toyota Corporation Batangas. He was the former President and Chief Operating Officer of Eastern Securities Development Corporation. He graduated from the Ateneo de Manila University with a Bachelor of Arts degree in in Economics.

Frederic C. Dybuncio
President

Mr. Frederic C. DyBuncio is the President, Chief Executive Officer, and Director of APC Group, Inc., and Belle Corporation. Concurrently, he is the Senior Vice President of Investments Portfolio of SM Investments Corporation. He is a Director of Atlas Consolidated Mining and Development Corporation, Sinophil Corporation, Indophil Resources NL, Pacific Online Systems Corporation, and Manila North Tollways Corporation. Prior to holding this post, he was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and finished a Master's degree in Business Administration program at Asian Institute of Management.

Bernardo D. Lim
Executive Vice-President and Chief Finance Officer
Director

Mr. Bernardo D. Lim is a Director of Philippine Global Communications, Inc. (2005 up to present). Before he joined APC Group, Mr. Lim was General Manager for Finance of P.T. Bakrie Sumatra Plantations in Indonesia. He assumed various positions in the firms he joined earlier: Vice President for Finance and Administration of Westinghouse Asia Controls Corporation and Cellophil Resources Corporation; Vice President and Treasurer of Atlantic Gulf & Pacific Company of Manila and AG&P Industrial Corporation; Vice President for Finance of Trans-Philippines Investment Corporation; Treasurer of Fluor Daniel/AG&P, Inc., Technoserve International Corporation, and Wire Rope Corporation of the Philippines. Mr. Lim was also Controller of Philippine Iron Mines.

Mr. Lim holds a Bachelor of Science in Business Administration degree from the University of the Philippines. He is a Certified Public Accountant.

Mr. Lim has been a Director since 2001. He retired from APC Group on March 31, 2014.

Edmundo L. Tan
Corporate Secretary and Director
68 years old.

Atty. Edmundo L. Tan is a Director and the Corporate Secretary of APC Group, Inc. from 2000 up to the present. He serves as Director and Corporate Secretary of Philippine Global Communications, Inc. from 2000 until his resignation as Corporate Secretary in 2010 and Aragorn Power and Energy Corporation from 2005 until his resignation as Corporate Secretary in 2012. He is currently a Director of Sinophil Corporation (2001 up to the present) and PRC MAGMA Resources, Inc. (2010 up to the present). He was elected director of OCLP Holdings, Inc. in July 2012 and likewise elected as Trustee of Philippine Dispute Resolution Center, Inc. (PDRCI) from 2011 up to the present. He serves as Corporate Secretary of BDO Unibank, Inc. from July 2007 up to the present.

Atty. Tan is the Managing Partner of Tan, Acut Lopez & PisonLaw Offices (1993 up to present). He was formerly a Director of BDO Leasing & Finance, Inc. He was formerly the Chairman and President of EBC Strategic Holdings Corporation and Chairman of EBC Investments, Inc (2007-2009). He was formerly Senior Partner in Ponce Enrile Cayetano Reyes & Manalastas Law Offices, a Partner in Angara Abello Concepcion, Regala & Cruz Law Offices, and an Associate in Cruz VillarinOngkiko Academia & Durian Law Offices.

Tomas D. Santos
Independent Director

Mr. Tomas D. Santos replaces Mr. Jose Ben R. Laraya as a Director. He is the President of Irvine Construction Corporation from 1994 to present. He is the owner of Shamu Marketing and the President of Filipino Chinese Youth Volunteer Fire Department, Inc. from 2011 to present.

Mr. Santos holds a Bachelor of Science in Business Administration degree from the University of the East.

Virginia A. Yap.

Ms. Virginia A. Yap, Filipino, is also a director of Belle Corporation and Sinophil Corporation. She holds key positions in the SM Group of Companies including being Treasurer of SM Development Corporation (SMDC), and Vice President-Office of the Chairman of the Board of Directors of SM Investments Corporation, SM Land, Inc. (formerly Shoemart, Inc.) and SM Retail, Inc. She is also Treasurer of SMDC and Highlands Prime Inc. She has been connected with the SM Group of Companies for the last twenty-nine years. She holds a Bachelor of Science in Commerce (Major in Accounting) degree from the University of Mindanao.

LAURITO E. SERRANO
Independent Director

Mr. Laurito E. Serrano, 53, is a Certified Public Accountant with a Masters in Business Administration degree from the Harvard Graduate School of Business. His area of specialization is Financial Advisory and Corporate Finance. Mr. Serrano currently serves as independent director and Chairman of the Audit and Risk Management Committee of Atlas Consolidated Mining and Development Corporation. He also serves as a director at Philippine Veterans Bank and a member of its Corporate Governance and Audit Committees; an independent director of Travellers International Hotel Group; and a director of MRT Development Corporation, among others. Mr. Serrano is also a former partner of the Corporate Finance Consulting Group of SGV&Co

Family Relationships

- None

Involvement in Certain Legal Proceedings

The Company is not aware of any if the following events wherein any of its directors, nominees for election as director, executive officers, underwriter or control person were involved during the past five(5) years:

(a) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time.
(b) Any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding.
(c) 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 the involvement of any of the above persons in any type of business, securities, commodities or banking activities; and,
(d) Any finding by a domestic or foreign court of competent jurisdiction(in civil action), the SEC 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 and the judgment has not been reversed, suspended or vacated.

Item 10. Executive Compensation

(1) General

(A) All Compensation Covered

Except for executive officers included under the compensation table below, all other executive officers and directors do not receive salaries.

2) Summary Compensation Table

(a) Name and principal position	(b) Year	(c) Salary (P)	(d) Bonus(P)	(e)Annual Compensation	Other Annual Compensation
Willy N. Ocier, Bernardo D. Lim All other directors and officers as a Group unnamed	2012	7,400,645	None	7,400,645	240,000
Frederic C. DyBuncio, Bernardo D. Lim, Jackson T. Ongsip All other directors and officers as a Group unnamed	2013	4,808,046	None	4,808,046	150,000
Frederic C. DyBuncio, Bernardo D. Lim*, Jackson T. Ongsip All other directors and officers as a Group unnamed	2014	2,599,137	None	2,599,137	

*Resigned as of March 31, 2014

(3) Compensation of Directors

(A) Standard Arrangements.

Each director is entitled to a per diem of P 5,000 per board meeting attended to cover transportation expenses.

(B) Other Arrangements.

Eligibility for grant of options under the Registrant's Stock Option Plan.

(4) Employment Contracts and Termination of Employment and Change-in Control Arrangements.

None.

(5) Warrants and Options Outstanding: Repricing

A. None. All outstanding options of all executive officers and directors and other stock options expired in 1999.

(B) N.A.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Beneficial Owners

The table below shows the names of persons (including any "group") who is known to the Registrant to be

directly or indirectly the record or beneficial owner of more than 10% of Registrant's voting securities as of December 31, 2013.

(1) Title of Class	2) Name and address of record owner	(4)Amount and nature of record/beneficial ownership (indicate)	(5) Percent of Class
Common shares	Belle Corporation - 28th Fl., PSE East Tower, Ortigas Center,Pasig City	3,500,000,000	46.59
Common shares	PCD Nominee Corporation (Filipino)- 37th Floor, The Enterprise Centre, City, Ayala Avenue , Makati City	1,718,197,702	22.87
Common shares	PCD Nominee Corporation (Non-Filipino) 37th The Enterprise Center,Ayala Avenue, Ayala Avenue, Makati City	453,444,463	6.04

(1) Security Ownership of Management

The following table shows the shareholdings of the following directors and officers as of December 31, 2013.

1) Title of Class	(2) Name of Beneficial Owner	(3) Amount and nature of beneficial ownership(direct)	(4) Citizenship	(5) Percent of Class
Common Stock	Willy N. Ocier	570,001	Filipino	-
-do-	Frederic C. DyBuncio	1	Filipino	-
-do-	Bernardo D. Lim	1,000	Filipino	-
-do-	Edmundo L. Tan	1	Filipino	-
-do-	Tomas D. Santos	1	Filipino	-
-do- -do-	Virginia A. Yap Laurito E. Serrano	10,001 1,000,001	Filipino Filipino	- -
	Total	**1,581,006**		

2. Voting Trust Holders of 10% or More

There is no party holding voting trust for 10% or more of APC's voting securities.

3. Changes in Control

There is no arrangement which may result in a change in control of APC.

Item 12. Certain Relationship and Related Transactions

No director or executive officer or any member of their immediate family has, during the last two years, had a direct or indirect material interest in a transaction or proposed transaction to which the Company was a party.

PART IV – CORPORATE GOVERNANCE

APC submitted its Corporate Governance Manual to the Securities and Exchange Commission on August 30, 2002 in compliance with Memorandum Circular no. 2, Series of 2002. In the Organizational Meeting of the duly elected Board of Directors held immediately after the Stockholders' Meeting on June 17, 2010, the new members of the Nomination Committee, Compensation and Remuneration Committee and Audit Committee were elected.

The Company is not aware of any deviation from its Manual of Corporate Governance, by any of its officers or employees. In compliance with SEC Memorandum Circular No. 12 dated August 18, 2009, the Company submitted its Corporate Governance Scorecard on November 15, 2010.

PART V EXHIBITS AND SCHEDULES

Item 13. Reports on SEC Form 17-A and Exhibit

(a) Reports on SEC Form 17-C

The following SEC Form 17C report was filed during the last six months of 2013:

June 18, 2013	Election of Directors, Officers and members of the various Committees.

(b) Exhibit

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 10, 2014.

By:

WILLY N. OCIER
Chairman

FREDERIC C. DYBUNCIO
President

JACKSON T. ONGSIP
Chief Finance Officer

MAKATI CITY

SUBSCRIBED AND SWORN to before me this APR 15 2014 **2014 affiants exhibiting to me their Passports, as follows:**

NAMES	PASSPORT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Willy N.Ocier	XX3725357	May 15, 2009	Manila
Frederic C. DyBuncio	EC0634893	March 22, 2014	Manila
Jackson T. Ongsip	XX4522621	September 10,2009	Manila

NOTARY PUBLIC

ATTY. GERVACIO B. ORTIZ JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2014
PTR NO. 3664330/01-02-2013 MAKATI
IBP NO. 636155 LIFETIME MEMBER
APPT. M-199 / 2014 ROLL NO. 40091

Doc. No. 463
Page No. 94
Book No. XVIII
Series of 2014.

APC GROUP INC.

CERTIFICATION

The undersigned, **Mr. Jackson T. Ongsip**, Executive Vice President and Chief Finance Officer of APC Group, Inc., with business address at 8th Floor PhilCom Building, 8755 Paseo de Roxas, Makati City, do solemnly swear and certify that:

- All matters set forth in the General Form for Financial Statements (GFFS) composed of 9 pages are true and correct to the best of my knowledge and that this Corporation has complied with all the reportorial requirements provided under the Corporation Code of the Philippines.

Executed this 15 day of April 2014 at Makati City.

APC GROUP, INC.

By:

JACKSON T. ONGSIP
Executive Vice President and
Chief Finance Officer

MAKATI CITY APR 15 2014

Subscribed and sworn to before me this ______ day of April 2014, affiant to me his Passport No. XX4522621 issued on September 9, 2009 in Manila.

Doc. No. 466
Page No. 95
Book No. XLIII
Series of 2014

ATTY. GERVACIO B. ORTIZ JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2014
PTR NO. 3664330/01-02-2013 MAKATI
IBP NO. 656155 - LIFE TIME MEMBER
APPT. M-199 / 2014 ROLL NO. 40091

8th Floor, PhilCom Building
8755 Paseo de Roxas, Makati City
Metro Manila, Philippines
Tel.: (632) 845-0614
Fax No.: (632) 845-0259

COVER SHEET

AS093-8127
S. E. C. Registration Number

APC GROUP, INC.

(Company's Full Name)

8TH FLOOR PHILCOM BUILDING
8755 PASEO DE ROXAS
MAKATI CITY

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

MONETTE T. CRUZ
Contact Person

845-0614
Company's Telephone Number

12 31
Month Day
Fiscal Year

GFFS
FORM TYPE

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Number of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

LCU

Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes

Control No.:

Form Type: *GFFS (rev 2006)*

GENERAL FORM FOR CONSOLIDATED FINANCIAL STATEMENTS

NAME OF CORPORATION: APC GROUP INC.

CURRENT ADDRESS: 8TH FLOOR PHILCOM BUILDING, 8755 PASEO DE ROXAS ST., MAKATI CITY

TEL. NO.: 845-0614 FAX NO.: 845-0259

COMPANY TYPE : HOLDING COMPANY PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2013 (in P'000)	2012 (in P'000)
A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)	368,070.00	518,550.00
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	90,992.00	77,669.00
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	73,754.00	44,630.00
A.1.1.1 On hand	1,712.00	20,045.00
A.1.1.2 In domestic banks/entities	72,042.00	24,585.00
A.1.1.3 In foreign banks/entities		
A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)	11,347.00	25,308.00
A.1.2.1 Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4)	11,347.00	25,308.00
A.1.2.1.1 Due from customers (trade)	894.00	17.00
A.1.2.1.2 Due from related parties	0.00	0.00
A.1.2.1.3 Others, specify (A.1.2.1.3.1+A.1.2.1.3.2)	10,453.00	25,291.00
A.1.2.1.3. Advances to officers and employees	1,166.00	454.00
A.1.2.1.3. Receivable from sale of investments	9,223.00	24,709.00
A.1.2.1.3. Others	64.00	128.00
A.1.2.1.4 Allowance for doubtful accounts (negative entry)	0.00	0.00
A.1.2.2 Due from foreign entities, specify (A.1.3.2.1 + A.1.3.2.2 + A.1.3.2.3 + A.1.3.2.4)		
A.1.2.2.1		
A.1.2.2.2		
A.1.2.2.3		
A.1.2.2.4 Allowance for doubtful accounts (negative entry)		
A.1.3 Inventories (A.1.3.1 + A.1.3.2 + A.1.3.3 + A.1.3.4 + A.1.3.5 + A.1.3.6)		
A.1.3.1 Raw materials and supplies		
A.1.3.2 Goods in process (including unfinished goods, growing crops, unfinished		
A.1.3.3 Finished goods		
A.1.3.4 Merchandise/Goods in transit		
A.1.3.5 Unbilled Services (in case of service providers)		
A.1.3.6 Others, specify (A.1.3.6.1+A.1.3.6.2)		
A.1.3.6.1		
A.1.3.6.2		
A.1.4 Financial Assets other than Cash/Receivables/Equity investments (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4+A.1.4.5+A.1.4.6)	85.00	85.00
A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic entities (A.1.4.1.1 + A.1.4.1.2 + A.1.4.1.3 + A.1.4.1.4 + A.1.4.1.5)	-	-
A.1.4.1.1 National Government		
A.1.4.1.2 Public Financial Institutions		
A.1.4.1.3 Public Non-Financial Institutions		
A.1.4.1.4 Private Financial Institutions	-	-
A.1.4.1.5 Private Non-Financial Institutions		
A.1.4.2 Held to Maturity Investments - issued by domestic entities (A.1.4.2.1 + A.1.4.2.2 + A.1.4.2.3 + A.1.4.2.4 + A.1.4.2.5)		
A.1.4.2.1 National Government		
A.1.4.2.2 Public Financial Institutions		
A.1.4.2.3 Public Non-Financial Institutions		
A.1.4.2.4 Private Financial Institutions		
A.1.4.2.5 Private Non-Financial Institutions		

NOTE:

This general form is applicable to companies engaged in Agriculture, Fishery, Forestry, Mining, and Quarrying, Manufacturing, Electricity, Gas and Water, Construction, Wholesale and Retail Trade, Transportation, Storage and Communications, Hotels and Restaurants, Real Estate, Community, Social and Personal Services, other forms of production, and general business operations. This form is also applicable to other companies that do not have industry-specific Special Forms. Special forms shall be used by publicly-held companies and those engaged in non-

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial Institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.

Control No.:
Form Type: GFFS (rev 2006)

GENERAL FORM FOR CONSOLIDATED FINANCIAL STATEMENTS
NAME OF CORPORATION: APC GROUP INC.
CURRENT ADDRESS: 8TH FLOOR PHILCOM BUILDING, 8755 PASEO DE ROXAS ST., MAKATI CITY
TEL. NO.: 845-0614 FAX NO.: 845-0259
COMPANY TYPE : HOLDING COMPANY PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

F I N A N C I A L D A T A	2013 (in P'000)	2012 (in P'000)
A.1.4.3 Loans and Receivables - issued by domestic entities: (A.1.4.3.1 + A.1.4.3.2 + A.1.4.3.3 + A.1.4.3.4 + A.1.4.3.5)		
A.1.4.3.1 National Government		
A.1.4.3.2 Public Financial Institutions		
A.1.4.3.3 Public Non-Financial Institutions		
A.1.4.3.4 Private Financial Institutions		
A.1.4.3.5 Private Non-Financial Institutions		
A.1.4.4 Available-for-sale financial assets - issued by domestic entities: (A.1.4.4.1 + A.1.4.4.2 + A.1.4.4.3 + A.1.4.4.4 + A.1.4.4.5)	85.00	85.00
A.1.4.4.1 National Government		
A.1.4.4.2 Public Financial Institutions		
A.1.4.4.3 Public Non-Financial Institutions		
A.1.4.4.4 Private Financial Institutions	85.00	85.00
A.1.4.4.5 Private Non-Financial Institutions		
A.1.4.5 Financial Assets issued by foreign entities: (A.1.4.5.1+A.1.4.5.2+A.1.4.5.3+A.1.4.5.4)	-	-
A.1.4.5.1 Financial Assets at fair value through profit or loss		
A.1.4.5.2 Held-to-maturity investments		
A.1.4.5.3 Loans and Receivables		
A.1.4.5.4 Available-for-sale financial assets		
A.1.4.6 Allowance for decline in market value (negative entry)		
A.1.5 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2 + A.1.5.3)	5,806.00	7,646.00
A.1.5.1 Creditable withholding taxes	0.00	0.00
A.1.5.2 Inventories at cost	0.00	0.00
A.1.5.3 Assets classifeid as held-for-sale	0.00	0.00
A.1.5.4 Others	5,806.00	7,646.00
A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7+A.2.8)	678.00	1,293.00
A.2.1 Land	64.00	64.00
A.2.2 Building and improvements including leasehold improvement		
A.2.3 Machinery and equipment (on hand and in transit)	5,920.00	5,920.00
A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery equipment		
A.2.5 Others, specify (A.2.5.1 + A.2.5.2 + A.2.5.3 + A.2.5.4 + A.2.5.5)	3,345.00	3,345.00
A.2.5.1 Property, or equipment used for education purposes		
A.2.5.2 Construction in progress	0.00	0.00
A.2.5.3 Leasehold improvements	3,345.00	3,345.00
A.2.5.4		
A.2.5.5		
A.2.6 Appraisal increase, specify (A.2.6.1 + A.2.6.2 + A.2.6.3 + A.2.6.4)		
A.2.6.1		
A.2.6.2		
A.2.6.3		
A.2.6.4		
A.2.7 Accumulated Depreciation (negative entry)	-8,651.00	-8,036.00
A.2.8 Impairment Loss or Reversal (if loss, negative entry)		
A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3)	0.00	0.00
A.3.1 Equity in domestic subsidiaries/affiliates	0.00	0.00
A.3.2 Equity in foreign branches/subsidiaries/affiliates		
A.3.3 Others, specify (A.3.1.1 + A.3.2.1 + A.3.3.1 + A.3.3.4)		
A.3.3.1		
A.3.3.2		
A.3.3.3		
A.3.3.4		
A.4 Investment Property	156,986.00	156,953.00
A.5 Biological Assets	-	-
A.6 Intangible Assets (A.6.1 + A.6.2)	-	119,648.00
A.6.1 Major item/s, specify (A.6.1.1 + A.6.1.2 + A.6.1.3 + A.6.1.4)		
A.6.1.1		
A.6.1.2		
A.6.1.3		
A.6.1.4		
A.6.2 Others, specify (A.6.2.1 + A.6.2.2 + A.6.2.3 + A.6.2.4)	0.00	119,648.00
A.6.2.1 Assets classifeid as held-for-sale	0.00	119,648.00
A.6.2.2		
A.6.2.3		
A.6.2.4		
A.7 Available for sale financial assets	28,185.00	32,195.00
A.8 Assets included in Disposal Groups Classified as Held for Sale	-	-

Control No.:
Form Type: GFFS (rev 2006)

GENERAL FORM FOR CONSOLIDATED FINANCIAL STATEMENTS
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TEL. NO.: 845-0614 FAX NO.: 845-0259
COMPANY TYPE : HOLDING COMPANY PSIC:
If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2013 (in P'000)	2012 (in P'000)
A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3	-	-
A.9.1. From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3 + A.9.1.4)		
A.9.1.1		
A.9.1.2		
A.9.1.3		
A.9.1.4		
A.9.2 From foreign entities, specify (A.9.2.1 + A.9.2.2 + A.9.2.3 + A.9.2.4)		
A.9.2.1		
A.9.2.2		
A.9.2.3		
A.9.2.4		
A.9.3 Allowance for doubtful accounts, net of current portion (negative entry)		
A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4+A.10.5)	91,229.00	130,792.00
A.10.1 Deferred charges - net of amortization		
A.10.2 Deferred Income Tax	0.00	0.00
A.10.3 Advance/Miscellaneous deposits		
A.10.4 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4)	91,229.00	130,792.00
A.10.4.1 Mining rights	0.00	21,163.00
A.10.4.2 Deferred exploration costs	85,208.00	103,561.00
A.10.4.3 Deposits	19.00	19.00
A.10.4.4 Others	6,002.00	6,049.00
A.10.5 Allowance for write-down of deferred charges/bad accounts (negative entry)		
B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)	189,098.00	262,065.00
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5 + B.1.6 + B.1.7)	107,514.00	183,124.00
B.1.1 Trade and Other Payables to Domestic Entities	107,416.00	105,089.00
B.1.1.1 Loans/Notes Payables	0.00	0.00
B.1.1.2 Trade Payables	1,931.00	2,051.00
B.1.1.3 Payables to Related Parties, specify (B.1.1.3.1 + B.1.1.3.2 + B.1.1.3.3)	79,407.00	91,486.00
B.1.1.3.1 Belle Corporation	79,407.00	79,407.00
B.1.1.3.2 Broadfields Properties Limited	0.00	0.00
B.1.1.3.3 Others	0.00	12,079.00
B.1.1.4 Others, specify (B.1.1.4.1 + B.1.1.4.2 + B.1.1.4.3)	26,078.00	11,552.00
B.1.1.4.1 Other accrued and payables	26,078.00	11,552.00
B.1.1.4.2	-	-
B.1.1.4.3	-	-
B.1.2 Trade and Other Payables to Foreign Entities (specify) (B.1.2.1+B.1.2.2+B.1.2.3+B.1.2.4)		
B.1.2.1		
B.1.2.2		
B.1.2.3		
B.1.2.4		
B.1.3 Provisions		
B.1.4 Financial Liabilities (excluding Trade and Other Payables and Provisions) (B.1.4.1 + B.1.4.2 + B.1.4.3)	-	-
B.1.4.1 Current liabilities from discontinued operations	-	-
B.1.4.2		
B.1.4.3		
B.1.4.4		
B.1.5 Liabilities for Current Tax	98.00	1.00
B.1.6 Deferred Tax Liabilities		
B.1.7 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions)	0.00	78,034.00
B.1.7.1 Dividends declared and not paid at balance sheet date		
B.1.7.2 Acceptances Payable		
B.1.7.3 Liabilities under Trust Receipts		
B.1.7.4 Portion of Long-term Debt Due within one year		
B.1.7.5 Deferred Income		
B.1.7.6 Any other current liability in excess of 5% of Total Current Liabiilities, specify: (B.1.7.6.1 + B.1.7.6.2 + B.1.7.6.3 + B.1.7.6.4)		
B.1.7.6.1 Liabilities directly associated with assets classified as held-for-sale	0.00	78,034.00
B.1.7.6.2		
B.1.7.6.3		
B.1.7.6.4		

Control No.:
Form Type: *GFFS (rev 2006)*

GENERAL FORM FOR CONSOLIDATED FINANCIAL STATEMENTS

NAME OF CORPORATION: APC GROUP INC.
CURRENT ADDRESS: 8TH FLOOR PHILCOM BUILDING, 8755 PASEO DE ROXAS ST., MAKATI CITY
TEL. NO.: 845-0614 FAX NO.: 845-0259
COMPANY TYPE : HOLDING COMPANY PSIC:

If these are based on consolidated financial statements, please so indicate in the caption

Table 1. Balance Sheet

FINANCIAL DATA	2013 (in P'000)	2012 (in P'000)
B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5)	-	-
B.2.1 Domestic Public Financial Institutions		
B.2.2 Domestic Public Non-Financial Institutions		
B.2.3 Domestic Private Financial Institutions		
B.2.4 Domestic Private Non-Financial Institutions		
B.2.5 Foreign Financial Institutions		
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)	-	-
B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale	-	-
B.5 Other Liabilities (B.5.1 + B.5.2)	81,584.00	78,941.00
B.5.1 Deferred Income Tax	0.00	0.00
B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4)	81,584.00	78,941.00
B.5.2.1 Subscription payable	75,162.00	75,162.00
B.5.2.2 Accrued retirement costs	6,422.00	3,779.00
B.5.2.3 Others	0.00	0.00
B.5.2.4		
C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9+C.10)	178,972.00	256,485.00
C.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (C.1.1+C.1.2+C.1.3)	20,000,000.00	20,000,000.00
C.1.1 Common shares	14,000,000.00	14,000,000.00
C.1.2 Preferred Shares	6,000,000.00	6,000,000.00
C.1.3 Others		
C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3	3,874,943.00	3,889,943.00
C.2.1 Common shares	3,874,943.00	3,889,943.00
C.2.2 Preferred Shares		
C.2.3 Others		
C.3 Paid-up Capital Stock (C.3.1 + C.3.2)	2,513,069.00	2,498,069.00
C.3.1 Common shares	2,513,069.00	2,498,069.00
C.3.2 Preferred Shares		
C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus	1,613,942.00	1,613,942.00
C.5 Minority Interest	(6,539.00)	1,656.00
C.6 Others, specify (C.6.1 + C.6.2 + C.6.3 + C.6.4 + C.6.5)	(2,408.00)	(268.00)
C.6.1 Other equity adjustment	0.00	0.00
C.6.2 Gain on dilution	226.00	226.00
C.6.3 Remeasurement of accrued retirement	(2,634.00)	(494.00)
C.6.4		
C.6.5		
C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus	15,000.00	19,000.00
C.8 Retained Earnings (C.8.1 + C.8.2)	(7,799,600.00)	(7,736,422.00)
C.8.1 Appropriated		
C.8.2 Unappropriated	(7,799,600.00)	(7,736,422.00)
C.9 Head / Home Office Account (for Foreign Branches only)		
C.10 Cost of Stocks Held in Treasury (negative entry)	(29,435.00)	(29,435.00)
D. TOTAL LIABILITIES AND EQUITY (B + C)	368,070.00	518,550.00

Control No.:
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GENERAL FORM FOR CONSOLIDATED FINANCIAL STATEMENTS
NAME OF CORPORATION: APC GROUP INC.
CURRENT ADDRESS: 8TH FLOOR PHILCOM BUILDING, 8755 PASEO DE ROXAS ST., MAKATI CITY
TEL. NO.: 845-0614 FAX NO.: 845-0259
COMPANY TYPE : HOLDING COMPANY PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 2. Income Statement

FINANCIAL DATA	2013 (in P'000)	2012 (in P'000)
A. REVENUE / INCOME (A.1 + A.2 + A.3)	14,703.00	40,749.00
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining,utilities, trade, services, etc.) (from Primary Activity)	0.00	0.00
A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for using the Equity Method	0.00	0.00
A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)	13,319.00	38,983.00
A.3.1 Fair value gain on investment properties	0.00	25,280.00
A.3.2 Gain on sale of investments and available-for-sale financial assets	0.00	5,922.00
A.3.3 Foreign exchange gain	2.00	
A.3.4		
A.3.5 Others, specify (A.3.5.1 + A.3.5.2 + A.3.5.3 + A.3.5.4 + A.3.5.5 + A.3.5.6 + A.3.5.7)	13,317.00	7,781.00
A.3.5.1 Rental Income from Land and Buildings	0.00	2,641.00
A.3.5.2 Recovery of previously written off receivables	0.00	0.00
A.3.5.3 Write-off of excess liabilities	4,094.00	0.00
A.3.5.4 Reversal of impairment loss on investment and advances	9,223.00	5,140.00
A.3.5.5 Advances fromrelated parties written off	0.00	0.00
A.3.5.6 Others	0.00	0.00
A.3.5.7	-	-
A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)	1,384.00	1,766.00
A.4.1 Interest Income	1,384.00	1,086.00
A.4.2 Dividend Income	0.00	680.00
A.4.3 Gain / (Loss) from selling of Assets, specify (A.4.3.1 + A.4.3.2 + A.4.3.3 + A.4.3.4 + A.4.3.5 + A.4.3.6 + A.4.3.7)	0.00	0.00
A.4.3.1 Gain/loss on sale of available-for-sale financial assets	0.00	0.00
A.4.3.2		
A.4.3.3		
A.4.3.4		
A.4.4 Gain / (Loss) on Foreign Exchange (A.4.4.1 + A.4.4.2 + A.4.4.3 +	0.00	0.00
A.4.4.1 Foreign exchange gain/loss	0.00	0.00
A.4.4.2		
A.4.4.3		
A.4.4.4		
B. COST OF GOODS SOLD (B.1 + B.2 + B.3)	0.00	0.00
B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)		
B.1.1 Direct Material Used		
B.1.2 Direct Labor		
B.1.3 Other Manufacturing Cost / Overhead		
B.1.4 Goods in Process, Beginning		
B.1.5 Goods in Process, End (negative entry)		
B.2 Finished Goods, Beginning		
B.3 Finished Goods, End (negative entry)		
C. COST OF SALES (C.1 + C.2 + C.3)	0.00	0.00
C.1 Purchases		
C.2 Merchandise Inventory, Beginning		
C.3 Merchandise Inventory, End (negative entry)		
D. COST OF SERVICES, SPECIFY (D.1 + D.2 + D.3 + D.4 + D.5 + D.6)	0.00	0.00
D.1 Direct costs-Salaries	0.00	0.00
D.2		
D.3		
D.4		
D.5		
D.6		

Control No.:
Form Type: GFFS (rev 2006)

GENERAL FORM FOR CONSOLIDATED FINANCIAL STATEMENTS

NAME OF CORPORATION: APC GROUP INC.
CURRENT ADDRESS: 8TH FLOOR PHILCOM BUILDING, 8755 PASEO DE ROXAS ST., MAKATI CITY
TEL. NO.: 845-0614 FAX NO.: 845-0259
COMPANY TYPE : HOLDING COMPANY PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 2. Income Statement

FINANCIAL DATA	2013 (in P'000)	2012 (in P'000)
E. OTHER DIRECT COSTS, SPECIFY (E.1 + E.2 + E.3 + E.4 + E.5 + E.6)	0.00	0.00
E.1 Depreciation	0.00	0.00
E.2 Retirement	0.00	0.00
E.3 Rental	0.00	0.00
E.4 Materials	0.00	0.00
E.5 Others	0.00	0.00
E.6		
F. GROSS PROFIT (A - B - C - D - E)	14,703.00	40,749.00
G. OPERATING EXPENSES (G.1 + G.2 + G.3 + G.4)	78,321.00	34,807.00
G.1 Selling or Marketing Expenses		
G.2 Administrative Expenses		
G.3 General Expenses	15,543.00	16,121.00
G.4 Other Expenses, specify (G.4.1 + G.4.2 + G.4.3 + G.4.4 + G.4.5 + G.4.6)	62,778.00	18,686.00
G.4.1 Forex loss	0.00	2.00
G.4.2 Write-off of other assets	15,613.00	1,421.00
G.4.3 Interest expense	26.00	62.00
G.4.4 Provision for impairment of deferred exploration costs	46,788.00	17,133.00
G.4.5 Equity in net loss of associates	0.00	18.00
G.4.6 Others	351.00	50.00
H. FINANCE COSTS	-	-
I. NET INCOME (LOSS) BEFORE TAX (F - G - H)	(63,618.00)	5,942.00
J. INCOME TAX EXPENSE (negative entry)	375.00	765.00
K. INCOME (LOSS) AFTER TAX	(63,993.00)	5,177.00
L. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on theMeasurement of Fair Value less Cost to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (if any)		
L.1 Income (lossfrom discontinued operation	(7,380.00)	47.00
L.2		
M. Profit or Loss Attributable to Minority Interest	(8,195.00)	(1,663.00)
N. Profit or Loss Attributable to Equity Holders of the Parent	(69,318.00)	5,624.00

Control No.:
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GENERAL FORM FOR CONSOLIDATED FINANCIAL STATEMENTS

NAME OF CORPORATION: APC GROUP INC.
CURRENT ADDRESS: 8TH FLOOR PHILCOM BUILDING, 8755 PASEO DE ROXAS ST., MAKATI CITY
TEL. NO.: 845-0614 FAX NO.: 845-0259
COMPANY TYPE : HOLDING COMPANY PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 3. Cash Flow Statements

FINANCIAL DATA		2013 (in P'000)	2012 (in P'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income (Loss) Before Tax and Extraordinary Items		(70,998.00)	6,216.00
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
Depreciation		662.00	681.00
Amortization, specify:	Depreciation and amortization		
Others, specify:	Fair value gain on investment	0.00	(25,281.00)
	Provision for impairment of deferred exploration costs	46,788.00	17,133.00
	Gain on sale of investments and available-for-sale financial assets	0.00	(6,482.00)
	Others	6,536.00	(536.00)
Write-down of Property, Plant, and Equipment			
Changes in Assets and Liabilities:			
Decrease (Increase) in:			
Receivables		13,962.00	118,144.00
Asset ckassified as held-for-sale		0.00	
Other Current Assets		1,841.00	(2,954.00)
Others, specify:		-	-
Increase (Decrease) in:			
Trade and Other Payables		2,326.00	8,221.00
Income and Other Taxes Payable		0.00	0.00
Others, specify:	Interest received	1,384.00	1,074.00
	Income taxes paid	(278.00)	(245.00)
	Dividend received	0.00	680.00
	Benefits paid	-	(350.00)
A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)		2,223.00	116,301.00
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) Decrease in Long-Term Receivables		-	-
(Increase) Decrease in Investment		0.00	0.00
Reductions/(Additions) to Property, Plant, and Equipment		0.00	0.00
Others, specify:	Acquisition of investment properties	(33.00)	(3,064.00)
	Decrease/increase in other noncurrent assets	(7,272.00)	(48,678.00)
	Proceeds from sale of available-for-sale financial assets	34,233.00	17,870.00
	Others		(160.00)
B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)		26,928.00	(34,032.00)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loans		0.00	0.00
Long-term Debt		-	-
Issuance of Securities		-	23.00
Others, specify:	Increase in advances from related parties	0.00	(53,578.00)
	Increase in other noncurrent liabilities	0.00	(780.00)
Payments of:			
(Loans)		0.00	0.00
(Long-term Debt)			
(Stock Subscriptions)			
Others, specify (negative entry):			
	Increase in minority interest		
	Increase/decrease in subscripiton payable		0.00
	Net cash provided by financing activities from discontinued operation		
	Interest paid	(26.00)	(62.00)
C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)		(26.00)	(54,397.00)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)		29,125.00	27,872.00
NET CASH FLOWS FROM DISCONTINUED OPERATIONS		0.00	(2,870.00)
Cash and Cash Equivalents			
Beginning of year		44,630.00	19,628.00
End of year		73,755.00	44,630.00

Control No.:
Form Type: *GFFS (rev 2006)*

GENERAL FORM FOR CONSOLIDATED FINANCIAL STATEMENTS

NAME OF CORPORATION: APC GROUP INC.
CURRENT ADDRESS: 8TH FLOOR PHILCOM BUILDING, 8755 PASEO DE ROXAS ST., MAKATI CITY
TEL. NO.: 845-0614 FAX NO.: 845-0259
COMPANY TYPE : HOLDING COMPANY PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 4. Statement of Changes in Equity

	(Amount in P'000)								
FINANCIAL DATA	Capital Stock	Additional Paid-in Capital	Revaluation Increment	Change in Fair Value of AFS	2013	2012	Retained Earnings	Treasury shares	TOTAL
A. Balance, *2011*	6,387,990.00	1,613,942.00	0.00	21,197.00	0.00	226.00	-7,739,115.00	-29,435.00	254,805.00
A.1 Correction of Error(s)									
A.2 Changes in Accounting Policy				0.00	-1,428.00		1,060.00		-368.00
B. Restated Balance	6,387,990.00	1,613,942.00	0.00	21,197.00	-1,428.00	226.00	-7,738,055.00	-29,435.00	254,437.00
C. Surplus									
C.1 Surplus (Deficit) on Revaluation of Properties									
C.2 Surplus (Deficit) on Revaluation of Investments					14,703.00	40,749.00			
C.3 Currency Translation Differences									
C.4 Other Surplus (specify)									
C.4.1 Comprehensive loss				-2,197.00	934.00				-1,263.00
C.4.2 Settlement of liability									
C.4.3 hange in fair value of									
C.4.4 Realized gain on									
C.4.5 Disposal of subsidiary							-5,254.00		-5,254.00
D. Net Income (Loss) for the Period							6,887.00		6,887.00
E. Dividends (negative entry)									
F. Appropriation for (specify)									
F.1									
F.2									
F.3					85,702.00	34,807.00			
F.4									
F.5									
G. Issuance of Capital Stock									
G.1 Common Stock									
G.2 Preferred Stock									
G.3 Others	23.00								23.00
H. Balance, *2012*	6,388,013.00	1,613,942.00	0.00	19,000.00	99,911.00	75,782.00	-7,736,422.00	-29,435.00	254,830.00
H.1 Correction of Error (s)									
H.2 Changes in Accounting Policy					0.00				
I. Restated Balance	6,388,013.00	1,613,942.00	0.00	19,000.00	99,911.00	75,782.00	-7,736,422.00	-29,435.00	254,830.00
J. Surplus									
J.1 Surplus (Deficit) on Revaluation of Properties									
J.2 Surplus (Deficit) on Revaluation of Investments									
J.3 Currency Translation Differences									
J.4 Other Surplus (specify)									
J.4.1 Comprehensive loss				-4,000.00	-2,140.00				-6,140.00
J.4.2 Equity of new subs.									
J.4.3 Effect of deconsolidation									
J.4.4 Disposal of subsidiary									
J.4.5 Advance from									
K. Net Income (Loss) for the Period							-63,178.00		-63,178.00
L. Dividends (negative entry)									
M. Appropriation for (specify)									
M.1									
M.2									
M.3									
M.4									
M.5									
N. Issuance of Capital Stock									
N.1 Common Stock									
N.2 Preferred Stock									
N.3 Others									
O. Balance, *2013*	6,388,013.00	1,613,942.00	0.00	15,000.00	97,771.00	75,782.00	-7,799,600.00	-29,435.00	185,512.00

Form Type: *GFFS (rev. 2006)*

GENERAL FORM FOR CONSOLIDATED FINANCIAL STATEMENTS

NAME OF CORPORATION: APC GROUP INC.

CURRENT ADDRESS: 8TH FLOOR PHILCOM BUILDING, 8755 PASEO DE ROXAS, MAKATI CITY

TEL. NO.: 845-0614 FAX NO.: 845-0259

COMPANY TYPE : HOLDING COMPANY PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 5. Details of Income and Expenses, by source

(applicable to corporations transacting with foreign corporations/entities)

FINANCIAL DATA	2013 (in P'000)	2012 (in P'000)
A. REVENUE / INCOME (A.1 + A.2)	14,703.00	40,749.00
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining,utilities, trade, services, etc.) (from Primary Activity) (A.1.1 +A.1.2)	0.00	0.00
A.1.1 Domestic	0.00	0.00
A.1.2 Foreign		
A.2 Other Revenue (A.2.1 +A.2.2)	14,703.00	40,749.00
A.2.1 Domestic	14,703.00	40,749.00
A.2.2 Foreign, specify (A.2.2.1+A.2.2.2+ A.2.2.3+ A.2.2.4+ A.2.2.5+ A.2.2.6+A.2.2.7+ A.2.2.8+A.2.2.9+A.2.2.10)	-	-
A.2.2.1		
A.2.2.2		
A.2.2.3		
A.2.2.4		
A.2.2.5		
A.2.2.6		
A.2.2.7		
A.2.2.8		
A.2.2.9		
A.2.2.10		
B. EXPENSES (B.1 + B.2)	78,321.00	34,807.00
B.1 Domestic	78,321.00	34,807.00
B.2 Foreign, specify (B.2.1+B.2.2+B.2.3+B.2.4+B.2.5+B.2.6+B.2.7+B.2.8+B.2.9+B.2.10)		
B.2.1		
B.2.2		
B.2.3		
B.2.4		
B.2.5		
B.2.6		
B.2.7		
B.2.8		
B.2.9		
B.2.10		

APC GROUP INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

Signed this 15 day of April, 2014

Willy N. Ocier Chairman	**Frederic C. DyBuncio** President & Chief Executive Officer	**Jackson T. Ongsip** Executive Vice President & Chief Finance Officer

8th Floor, PhilCom Building
8755 Paseo de Roxas, Makati City
Metro Manila, Philippines
Tel.: (632) 845-0614
Fax No.: (632) 845-0259

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY **, CITY, METRO MANILA)S.S**

SUBSRIBED AND SWORN TO before me this APR 15 2014 **April 2014, affiants exhibiting me their Passports as follows:**

Names	Passport Number	Date of Issue	Place of Issue
Willy N. Ocier	**XX3725357**	**May 15, 2009**	**Manila**
Frederic C. DyBuncio	**EB0923285**	**September 10, 2010**	**Manila**
Jackson T. Ongsip	**XX4522621**	**September 10, 2009**	**Manila**

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Book No. XVIII
Series of 2014

ATTY. GERVACIO B. ORTIZ JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2014
PTR NO. 3664330/01-02-2013 MAKATI
IBP NO. 656155 - LIFE TIME MEMBER
APPT. M-199 / 2014 ROLL NO. 40091

COVER SHEET

AS093-8127

SEC Registration Number

APC GROUP, INC. AND SUBSIDIARIES

(Company's Full Name)

8th Floor, PhilCom Building, 8755 Paseo de Roxas, Makati City

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

Mr. Bernardo D. Lim	**845-0620**
(Contact Person)	(Company Telephone Number)

12 **31**	**AACFS**	**06** **12**
Month *Day*	(Form Type)	*Month* *Day*
(Fiscal Year)		(Annual Meeting)

–

(Secondary License Type, If Applicable)

	–
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

616	–	–
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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

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

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

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
APC Group, Inc.
8th Floor, PhilCom Building
8755 Paseo de Roxas, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of APC Group, Inc. and Subsidiaries as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, included in this Form 17-A, and have issued our report thereon dated March 28, 2014. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Christine G. Vallejo
Partner
CPA Certificate No. 99857
SEC Accreditation No. 1402-A (Group A),
March 13, 2014, valid until March 12, 2017
Tax Identification No. 206-384-906
BIR Accreditation No. 08-001988-105-2014,
March 10, 2014, valid until March 9, 2017
PTR No. 4225227, January 2, 2014, Makati City

March 28, 2014

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
APC Group, Inc.
8th Floor, PhilCom Building
8755 Paseo de Roxas, Makati City

We have audited the accompanying consolidated financial statements of APC Group, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of APC Group, Inc. and Subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Christine G. Vallejo
Partner
CPA Certificate No. 99857
SEC Accreditation No. 1402-A (Group A),
March 13, 2014, valid until March 12, 2017
Tax Identification No. 206-384-906
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March 10, 2014, valid until March 9, 2017
PTR No. 4225227, January 2, 2014, Makati City

March 28, 2014

APC GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31		
	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 7, 25 and 26)	**₱73,754,007**	₱44,629,483	₱19,628,634
Trade and other receivables (Notes 8, 15, 23, 25 and 26)	**11,346,682**	25,308,225	97,961,007
Available-for-sale financial assets (Notes 9, 25 and 26)	**84,921**	84,921	354,479
Other current assets (Note 10)	**5,805,854**	7,646,451	38,168,106
	90,991,464	77,669,080	156,112,226
Assets classified as held-for-sale (Note 5)	**–**	119,648,365	–
Total Current Assets	**90,991,464**	197,317,445	156,112,226
Noncurrent Assets			
Available-for-sale financial assets (Notes 9, 25 and 26)	**28,185,100**	32,194,700	34,195,300
Investments in and advances to associates (Note 11)	**–**	–	37,598,925
Property and equipment (Note 12)	**678,112**	1,293,017	4,564,141
Investment properties (Notes 13 and 26)	**156,986,106**	156,953,000	240,265,569
Deferred tax assets (Note 22)	**–**	–	9,282,589
Goodwill and other noncurrent assets (Notes 14, 25 and 26)	**91,229,241**	130,792,213	93,305,174
Total Noncurrent Assets	**277,078,559**	321,232,930	419,211,698
	₱368,070,023	₱518,550,375	₱575,323,924
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable (Notes 5 and 15)	**₱–**	₱–	₱7,000,000
Trade and other payables (Notes 16, 25 and 26)	**28,008,877**	13,603,358	44,235,721
Income tax payable	**98,016**	861	143,060
Advances from related parties (Notes 23, 25 and 26)	**79,406,947**	91,485,945	158,866,306
	107,513,840	105,090,164	210,245,087
Liabilities directly associated with assets classified as held-for-sale (Note 5)	**–**	78,034,106	–
Total Current Liabilities	**107,513,840**	183,124,270	210,245,087
Noncurrent Liabilities			
Subscriptions payable (Notes 9, 25 and 26)	**75,161,959**	75,161,959	75,161,959
Accrued retirement costs (Note 20)	**6,422,300**	3,778,700	20,257,898
Deferred tax liability (Note 22)	**–**	–	7,975,500
Other noncurrent liabilities	**–**	–	779,342
Total Noncurrent Liabilities	**81,584,259**	78,940,659	104,174,699
Total Liabilities	**189,098,099**	262,064,929	314,419,786

(Forward)

	December 31		
	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
Equity Attributable to Equity Holders of the Parent Company			
Capital stock (Notes 17 and 25)	**₱6,388,012,148**	₱6,388,012,148	₱6,387,989,648
Additional paid-in capital (Notes 17 and 25)	**1,613,942,096**	1,613,942,096	1,613,942,096
Unrealized mark-to-market gain on available-for-sale financial assets (Note 9)	**15,000,000**	19,000,300	21,197,039
Gain on dilution	**226,304**	226,304	226,304
Remeasurement loss on defined benefit obligation (Notes 2 and 20)	**(2,634,205)**	(494,305)	(1,427,805)
Deficit	**(7,799,599,734)**	(7,736,421,534)	(7,738,055,064)
Treasury shares - 7,606,000 shares (Note 24)	**(29,435,220)**	(29,435,220)	(29,435,220)
Total Equity Attributable to Equity Holders of the Parent Company	**185,511,389**	254,829,789	254,436,998
Equity Attributable to Non-controlling Interests	**(6,539,465)**	1,655,657	6,467,140
Total Equity	**178,971,924**	256,485,446	260,904,138
	₱368,070,023	₱518,550,375	₱575,323,924

See accompanying Notes to Consolidated Financial Statements.

APC GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
CONTINUING OPERATIONS			
Income (Expenses)			
Provision for impairment of deferred exploration costs and mining rights (Note 14)	**(₱46,788,151)**	(₱17,132,891)	(₱24,716,367)
General and administrative expenses (Note 19)	**(15,543,292)**	(16,120,814)	(12,463,139)
Gain (loss) on sale of investments in subsidiary, associates and available-for-sale financial assets - net (Notes 4, 5 and 9)	**9,223,172**	5,921,637	38,534,098
Interest income (Note 7)	**1,384,487**	1,085,670	642,501
Interest expense	**(25,851)**	(62,041)	(100,406)
Foreign exchange gain (loss) - net	**2,127**	(2,106)	(714)
Fair value gain on investment properties (Note 13)	**–**	25,280,872	46,620
Dividend income	**–**	679,973	7,550
Equity in net losses of associates (Note 11)	**–**	(18,218)	(262,140)
Other (expense) income - net (Notes 9 and 21)	**(11,870,757)**	6,309,918	3,650,788
Income (loss) before income tax from continuing operations	**(63,618,265)**	5,942,000	5,338,791
Provision for (benefit from) income tax (Note 22)			
Current	**374,929**	764,916	691,713
Deferred	**–**	–	(7,453,980)
	374,929	764,916	(6,762,267)
Net income (loss) from continuing operations	**(63,993,194)**	5,177,084	12,101,058
Net income (loss) after tax from discontinued operations (Note 5)	**(7,380,128)**	46,988	(3,357,230)
NET INCOME (LOSS)	**(71,373,322)**	5,224,072	8,743,828
OTHER COMPREHENSIVE INCOME (LOSS) (Note 9)			
Items to be reclassified to profit or loss in subsequent periods:			
Unrealized mark-to-market gain (loss) on available-for-sale financial assets (Note 9)	**(4,000,000)**	(2,000,600)	1,987,153
Realized gain on available-for-sale financial assets (Note 9)	**(300)**	(196,139)	(38,534,098)
	(4,000,300)	(2,196,739)	(36,546,945)
Items not to be reclassified to profit or loss in subsequent periods -			
Remeasurement gain (loss) on defined benefit obligation (Note 2)	**(2,139,900)**	933,500	(1,427,805)
	(6,140,200)	(1,263,239)	(37,974,750)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱77,513,522)**	₱3,960,833	(₱29,230,922)

(Forward)

	Years Ended December 31		
	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
Net income (loss) attributable to:			
Equity holders of the Parent Company (Note 24)			
Income (loss) from continuing operations	**(₱55,798,072)**	₱6,840,052	₱14,494,730
Income (loss) from discontinued operations	**(7,380,128)**	46,988	(3,357,230)
	(63,178,200)	6,887,040	11,137,500
Non-controlling interests	**(8,195,122)**	(1,662,968)	(2,393,672)
	(₱71,373,322)	₱5,224,072	₱8,743,828
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**(₱69,318,400)**	₱5,623,801	(₱26,837,250)
Non-controlling interests	**(8,195,122)**	(1,662,968)	(2,393,672)
	(₱77,513,522)	₱3,960,833	(₱29,230,922)
Basic/Diluted Earnings (Loss) Per Common Share for Continuing Operations (Note 24)	(₱0.007436)	₱0.000911	₱0.001932
Basic/Diluted Earnings (Loss) Per Common Share for Discontinued Operations (Note 24)	(₱0.000983)	₱0.000006	(₱0.000447)

See accompanying Notes to Consolidated Financial Statements.

APC GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Equity Holders of the Parent Company									
	Capital Stock (Notes 17 and 25)	**Additional Paid-in Capital** (Notes 17 and 25)	**Unrealized Mark-to-Market Gain on Available-for-Sale Financial Assets** (Note 9)	**Remeasurement gain (loss) on defined benefit obligation** (Note 2)	**Gain on Dilution**	**Deficit** (Note 2)	**Treasury Shares** (Note 24)	**Total**	**Equity Attributable to Non-controlling Interests**	**Total**
Balances at January 1, 2013	**₱6,388,012,148**	**₱1,613,942,096**	**₱19,000,300**	**(₱494,305)**	**₱226,304**	**(₱7,736,421,534)**	**(₱29,435,220)**	**₱254,829,789**	**₱1,655,657**	**₱256,485,446**
Net income during the year	–	–	–	–	–	**(63,178,200)**	–	**(63,178,200)**	**(8,195,122)**	**(71,373,322)**
Other comprehensive loss	–	–	**(4,000,300)**	**(2,139,900)**	–	–	–	**(6,140,200)**	–	**(6,140,200)**
Total comprehensive income	–	–	**(4,000,300)**	**(2,139,900)**	–	**(63,178,200)**	–	**(69,318,400)**	**(8,195,122)**	**(77,513,522)**
Balances at December 31, 2013	**₱6,388,012,148**	**₱1,613,942,096**	**₱15,000,000**	**(₱2,634,205)**	**₱226,304**	**(₱7,799,599,734)**	**(₱29,435,220)**	**₱185,511,389**	**(₱6,539,465)**	**₱178,971,924**
Balances at January 1, 2012, as previously presented	₱6,387,989,648	₱1,613,942,096	₱21,197,039	₱–	₱226,304	(₱7,739,114,866)	(₱29,435,220)	₱254,805,001	₱6,467,140	₱261,272,141
Effect of change in accounting policy (Note 2)	–	–	–	(1,427,805)	–	1,059,802	–	(368,003)	–	(368,003)
Balances at January 1, 2012, as restated	6,387,989,648	1,613,942,096	21,197,039	(1,427,805)	226,304	(7,738,055,064)	(29,435,220)	254,436,998	6,467,140	260,904,138
Net income during the year	–	–	–	–	–	6,887,040	–	6,887,040	(1,662,968)	5,224,072
Other comprehensive loss	–	–	(2,196,739)	933,500	–	–	–	(1,263,239)	–	(1,263,239)
Total comprehensive income	–	–	(2,196,739)	933,500	–	6,887,040	–	5,623,801	(1,662,968)	3,960,833
Movements in other equity accounts:										
Collection of subscription receivable	22,500	–	–	–	–	–	–	22,500	–	22,500
Arising from business combination (Note 4)	–	–	–	–	–	–	–	–	3,665,222	3,665,222
Disposal of a subsidiary (Note 4)	–	–	–	–	–	(5,253,510)	–	(5,253,510)	(6,813,737)	(12,067,247)
	22,500	–	–	–	–	(5,253,510)	–	(5,231,010)	(3,148,515)	(8,379,525)
Balances at December 31, 2012, as restated	₱6,388,012,148	₱1,613,942,096	₱19,000,300	(₱494,305)	₱226,304	(₱7,736,421,534)	(₱29,435,220)	₱254,829,789	₱1,655,657	₱256,485,446
Balances at January 1, 2011, as previously presented	₱6,387,989,648	₱1,613,942,096	₱57,743,984	₱–	₱226,304	(₱7,746,497,340)	(₱29,435,220)	₱283,969,472	₱8,860,812	₱292,830,284
Effect of change in accounting policy (Note 2)	–	–	–	–	–	(2,695,224)	–	(2,695,224)	–	(2,695,224)
Balances at January 1, 2011, as restated	6,387,989,648	1,613,942,096	57,743,984	–	226,304	(7,749,192,564)	(29,435,220)	281,274,248	8,860,812	290,135,060
Net income during the year	–	–	–	–	–	11,137,500	–	11,137,500	(2,393,672)	8,743,828
Other comprehensive loss	–	–	(36,546,945)	(1,427,805)	–	–	–	(37,974,750)	–	(37,974,750)
Total comprehensive loss	–	–	(36,546,945)	(1,427,805)	–	11,137,500	–	(26,837,250)	(2,393,672)	(29,230,922)
Balances at December 31, 2011, as restated	₱6,387,989,648	₱1,613,942,096	₱21,197,039	(₱1,427,805)	₱226,304	(₱7,738,055,064)	(₱29,435,220)	₱254,436,998	₱6,467,140	₱260,904,138

See accompanying Notes to Consolidated Financial Statements.

APC GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax:			
Continuing operations	**(₱63,618,265)**	₱5,942,000	₱5,338,791
Discontinued operations	**(7,380,128)**	274,274	(4,770,876)
	(70,998,393)	6,216,274	567,915
Adjustments for:			
Provision for impairment of deferred exploration costs and mining rights (Note 14)	**46,788,151**	17,132,891	24,716,367
Loss (gain) on sale of investments in subsidiaries and associate and AFS financial assets (Note 5 and 11)	**(1,843,344)**	(5,921,637)	(38,534,098)
Interest income (Note 7)	**(1,384,487)**	(1,085,670)	(642,501)
Depreciation and amortization (Note 19)	**661,932**	680,823	746,420
Retirement costs (Note 20)	**503,700**	588,600	448,242
Interest expense (Note 15)	**25,851**	62,041	100,406
Fair value gain on investment properties (Note 13)	**–**	(25,280,872)	(46,620)
Dividend income	**–**	(679,973)	(7,550)
Equity in net losses of associates (Note 11)	**–**	18,218	262,140
Operating loss before working capital changes	**(26,246,590)**	(8,269,305)	(12,389,279)
Decrease (increase) in:			
Trade and other receivables	**23,195,674**	118,144,269	5,598,845
Other current assets	**1,840,597**	(2,954,124)	(859,590)
Increase in trade and other payables	**2,326,521**	8,220,663	(3,084,072)
Net cash generated from (used in) operations	**1,116,202**	115,141,503	(10,734,096)
Interest received	**1,384,487**	1,074,356	643,227
Income taxes paid	**(277,774)**	(244,761)	(178,873)
Benefits paid (Note 20)	**–**	(350,400)	–
Dividend received	**–**	679,973	7,550
Net cash provided by (used in) operating activities	**2,222,915**	116,300,671	(10,262,192)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Investments in subsidiary and associates (Notes 4 and 11)	**25,000,000**	17,600,498	–
Available-for-sale financial assets (Notes 9 and 27)	**9,232,772**	269,558	16,995,217

(Forward)

	Years Ended December 31		
	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
Acquisitions of:			
Investment properties (Note 13)	**(₱33,106)**	(₱3,063,559)	(₱4,328,947)
Property and equipment (Note 12)	**–**	(160,188)	–
Payment of subscriptions payable	**–**	–	(1,762,500)
Decrease (increase) in:	**–**		
Other noncurrent assets	**(7,272,206)**	(48,678,968)	(10,201,540)
Investments in associates	**–**	–	–
Net cash provided by (used in) investing activities	**26,927,460**	(34,032,659)	702,230
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	**(25,851)**	(62,041)	(100,406)
Proceeds from collection of subscription receivable		22,500	–
Increase (decrease) in:			
Advances from related parties	**–**	(53,577,939)	2,828,155
Other noncurrent liabilities	**–**	(779,342)	57,173
Net cash provided by (used in) financing activities	**(25,851)**	(54,396,822)	2,784,922
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**29,124,524**	27,871,190	(6,775,040)
NET CASH FLOWS FROM DISCONTINUED OPERATIONS (Note 5)	**–**	(2,870,341)	4,790,210
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	44,629,483	19,628,634	21,613,464
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱73,754,007**	₱44,629,483	₱19,628,634

See accompanying Notes to Consolidated Financial Statements.

APC GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **General Information**

   Corporate Information
   APC Group, Inc. (the Parent Company or APC) and subsidiaries (collectively referred to as the Company) were all incorporated in the Philippines and are registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company was incorporated in the Philippines on October 15, 1993 and was originally organized to engage in the oil and gas exploration and development in the Philippines. On April 30, 1997, the Philippine SEC approved the change in the primary purpose of the Parent Company to that of a holding company. The Parent Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

   The registered office address of the Parent Company is 8th Floor, PhilCom Building, 8755 Paseo de Roxas, Makati City.

   The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 28, 2014.

   Status of Operations
   In 2005, the Parent Company created new companies, namely, Aragorn Power and Energy Corporation (APEC), Aragorn Coal Resources, Inc. (Aragorn Coal) and APC Mining Corporation (APC Mining). These companies were established in line with the government's thrust in developing the country's energy and mining sectors. The prospects in these industries are bolstered by the government's decision to open up this sector to foreign investors. Thus, APC will concentrate in energy resource exploration and development and pursue mining activities. The government's thrust to encourage investments in these sectors augurs well with the Company's investment direction.

   As at December 31, 2013, the following are the status of operations of the Company's subsidiaries:

   a. APEC

      APEC is still in the pre-operating stage. It was established to engage in energy resource exploration and development.

      In 2008, APEC was granted a Geothermal Service Contract (GSC) by the Department of Energy (DOE) located in the Province of Kalinga. The GSC was granted after a Certificate Precondition (CP) from the National Commission of Indigenous People (NCIP), covering a major portion of the geothermal service area, was secured. The GSC was converted into a Geothermal Renewable Energy Service Contract (RESC) in late March 2010 to avail of the incentives provided under the Renewable Energy Act (RE) of 2008. As at March 28, 2014, the consent of nine (9) out of eleven (11) ancestral domains has been secured covering 85% of the geothermal service contract area.

      In November 2010, APEC and its partner Guidance Management Corporation (GMC) formed a partnership with Chevron Geothermal Philippines Holdings, Inc. (Chevron) in developing the geothermal area. The parties signed a Farm-out Agreement which gives APEC and GMC the option to take an equity position of up to 40% in the geothermal project. The parties also signed a Joint Operating Agreement. Under the agreement, Chevron will be responsible for the exploration, development and operation of the steam field and power activities. The effectivity of the two agreements hinges on the approval by the government of the application for a Financial and Technical Assistance Agreement (FTAA).

Under the Renewable Energy (RE) Act of 2008, a foreign company can own majority interest in an RE company provided the Service Contract is converted into an FTAA. The application for an FTAA has been filed with the DOE.

The project involves the development of steam fields that can generate around 100 megawatts (MW) of new capacity, providing an additional source of clean, indigenous and reliable baseload power to the Luzon grid. A 100 MW geothermal project will approximately cost more than US$300 million. This RESC will be the first major international investment in the country under the Renewable Energy Act of 2008.

As at December 31, 2013, APEC accomplished exploration activities that include Geological and Geochemical surveys and the Magneto-telluric Geophysical survey has been completed. Community development projects were also undertaken in the various ancestral domains.

Sub-Phase 3 (Drilling of Exploratory wells) of the exploration work program will be done in 2015. The exploration wells will take about six months to complete. If the results of the exploration wells prove positive, construction of the power plant will then be started. Although there is a delay in the drillings of exploration wells, efforts will be exerted to come close to the targeted 2018 commercial operations.

In October 2013, the DOE approved a one (1) year extension of the term of Geothermal Service Contract.

b. Aragorn Coal

Aragorn Coal is still in the pre-operating stage. It was established to engage in coal resource exploration and development. It has a Coal Operating Contract (COC) with the Department of Energy (DOE) signed in January 2007 located in Isabela covering 3,000 hectares.

The Isabela project has been put on hold because of the anti-mining sentiment of the local government units (LGU) and the community. Partial exploration works had been conducted and will be resumed once LGU/community acceptance is secured. The COC is adjacent to the coal areas of PNOC.

The COC in Masbate was dropped because the coal deposit is deep-seated and not of commercial quantities.

c. APC Mining

All mining projects were discontinued so that the Company can devote its resources to its energy and cement projects.

d. APC Cement

APC Cement was established to engage in the manufacture of cement. The cement plant was envisioned to manufacture 1.5 million tons of cement a year. APC Cement has two (2) Mineral Production and Sharing Agreements (MPSA) with the DENR covering more than

1,000 hectares of land containing limestone deposits. The project is located in the Municipality of Ginatilan in Southern Cebu.

From November 2010 up to April 2011, thirteen holes were drilled covering an area of approximately 29 hectares. Proven and probable reserves in the drilled area are sufficient to supply the limestone requirements of the cement plant for more than 50 years.

A Revised Feasibility Study for a 1.5 million Metric Tons Cement Project was prepared in July 2011. The study concluded that the cement project is financially viable offering an attractive rate of return. Management is currently seeking prospective partners.

e. PRC-Magma

PRC-Magma is still in its pre-operating stage. It was registered with the SEC on June 10, 2009 to engage in the business of exploration, development, and processing of renewable and non-renewable energy resources, including but not limited to wind power, solar power, hydropower, biofuels, biomass, and coal; exploration, mining and processing of metalliferous and non-metalliferous mineral and ore resources; trading and supply of energy and mineral resources; and generation of electric power using energy resources. In September 2012, the Declaration of Trust between the Company on one hand and KAGRI and Apayao 888 on the other hand were revoked resulting to the increase to 85.0% ownership in PRC-Magma (see Notes 4 and 11).

In March 2010, the Geothermal RESC for Mainit-Sadanga in Mountain Province and Buguias-Tinoc in Benguet and Ifugao Provinces were awarded to PRC-Magma. Remote sensing studies and re-evaluation of previous studies were conducted which highlighted potential geothermal prospect areas that warrant further investigation. Interpretations of processed Shuttle Radar Topology Mission (SRTM) Imageries are ongoing.

The Mainit-Sadanga Geothermal Project has a total area of 58,911 hectares. It has a power generation potential of 60-100 MW. From the initial investigations, two volcanic centers representing two separate geothermal reservoirs are possibly present in the area located in south-southwest of Kalinga.

The Buguias-Tinoc Geothermal Project has a total area of 35,424 hectares covering two municipalities of Benguet Province as well as two municipalities of Ifugao Province. It has also a power potential of 60-100MW. Previous studies involving resistivity surveys identified a clear low resistivity anomaly encompassing an approximately 7.5 sq. kilometers in Tukukan area which coincided with the occurrence of thermal manifestations. Present data suggest a highly prospective geothermal reservoir, a majority portion of which lies outside the Mt. Pulag National Park.

f. Environmental and General Services, Inc. (EGSI)

EGSI which is engaged in manpower services, was sold in early 2013 (see Note 5).

Other subsidiaries consist of real estate and holding companies.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying consolidated financial statements have been prepared on a historical cost basis, except for quoted AFS financial assets and investment properties which are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements, which are prepared for submission to the SEC, have been prepared in compliance with PFRS.

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries as at December 31:

		2013	2012	2011
Subsidiaries	Nature of Business	Percentage of Effective Ownership		
APC Cement Corporation (ACC) (1)	Manufacturing	**100.0**	100.00	100.00
Aragorn Coal (1)	Mining	**100.0**	100.00	100.00
APEC (1)	Energy	**90.0**	90.00	90.00
PRC - Magma Energy Resources, Inc. (2)	Energy	**85.0**	85.00	33.26
APC Mining (1)	Mining	**83.0**	83.00	83.00
EGSI	General services	**–**	100.00	100.00
Primary Data Net, Inc. (Primary Data) (3)	Holding company	**–**	100.00	100.00
APC Properties, Inc.	Property development	**–**	–	60.00

(1) Still in the pre-operating stage
(2) Owned by APEC. Still in the pre-operating stage.
(3) Ceased operation

All of the subsidiaries were incorporated in the Philippines.

Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company. The acquisition method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition to the date of disposal.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All intra-company balances, transactions, income and expenses and profits and losses resulting from intra-company transactions are eliminated in full.

Non-controlling Interests
Non-controlling interests represent the portion of profit or loss and the net assets not held by the Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRS and Philippine Interpretations which were adopted starting January 1, 2013. Except as otherwise indicated, the adoption of these new and amended standards and interpretations did not have a significant impact in the consolidated financial statements.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (OCI)* (Amendments). The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendment affected the presentation in the statement of comprehensive income and had no impact on the Company's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)

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

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

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

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

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

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

	As at December 31, 2013	As at December 31, 2012	As at January 1, 2012
Increase (decrease) in consolidated statement of financial position:			
Net defined benefit liability	**₱1,138,336**	(₱1,092,064)	₱368,003
Other comprehensive loss	**(2,634,205)**	(494,305)	(1,427,805)
Retained earnings	**1,495,869**	1,586,369	1,059,802

	For the years ended December 31	
	2013	2012
Increase (decrease) in consolidated statement of comprehensive income:		
Retirement costs	**₱90,500**	(₱526,567)
Profit for the year	**(90,500)**	526,567
Remeasurement gain (loss) on defined benefit obligation	**(2,139,900)**	933,500

The adoption of the Revised PAS 19 did not have impact on the consolidated statement of cash flows.

- PFRS 7*, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)

- PFRS 10, *Consolidated Financial Statements*

- PFRS 11, *Joint Arrangements*

- PFRS 12, *Disclosure of Interests in Other Entities*

- PFRS 13, *Fair Value Measurement*, PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13.

  The adoption of PFRS 13 affects disclosures only and has not materially impacted the fair value measurements of the Company. Additional disclosures where required are provided in the individual assets and liabilities whose fair values were determined.

- PAS 27, Separate Financial Statements (as revised in 2011). As a consequence of the issuance of the new PFRS 10, Consolidated Financial Statements, and PFRS 12, Disclosure of Interests in Other Entities, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of PAS 27 affects disclosures only and has no impact on the Company's financial position or performance.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*

Annual Improvements to PFRSs (2009-2011 cycle)
The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. These amendments are effective on or after January 1, 2013. The adoption of these amendments did not have an impact on the Company's financial position or performance.

- PFRS 1, *First-time Adoption of PFRS – Borrowing Costs*

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*

- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*

Standards and Interpretations Issued but not yet Effective
The Company did not early adopt the following standards and Philippine Interpretations that have been approved but are not yet effective. Unless otherwise indicated, the Company does not expect these changes to have a significant impact on its consolidated financial statements.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments) — These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and will have no impact on the Company's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27) — These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21) — IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments) — These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments) — The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Company's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments) — The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service.

  Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans.

<u>Annual Improvements to PFRSs (2010-2012 cycle)</u>
Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards. Unless otherwise indicated, the Company does not expect these amendments to have a significant impact in the Company's financial statements.

- PFRS 2, *Share-based Payment - Definition of Vesting Condition* — The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014.

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

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

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables* — The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective for annual periods beginning on or after July 1, 2014.

- PAS 16, *Property, Plant and Equipment - Revaluation Method – Proportionate Restatement of Accumulated Depreciation* — The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

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

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization* — The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

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

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards. Unless otherwise indicated, the Company does not expect these amendments to have a significant impact in the Company's financial statements.

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

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

- PFRS 13, *Fair Value Measurement - Portfolio Exception.* — The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- PAS 40, *Investment Property.* — The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- PFRS 9, *Financial Instruments.* — PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model hedge accounting is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules- based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

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

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition. The Company recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Initial Recognition. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except financial assets at fair value through profit or loss (FVPL), includes transaction costs.

Determination of Fair Value. The Company measures financial instruments at fair value at each end of every reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 26.

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

a) In the principal market for the asset or liability, or

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Classification of Financial Instruments. Subsequent to initial recognition, the Company classifies its financial instruments in the following categories: financial assets and financial liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets and other financial liabilities. The category depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the category of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at each financial year-end.

The Company has no financial assets and liabilities at FVPL and HTM investments as at December 31, 2013 and 2012.

Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

Classified as loans and receivables are the Company's cash and cash equivalents, trade and other receivables and deposits as at December 31, 2013 and 2012 (see Note 26).

AFS Financial Assets. AFS financial assets are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. Financial assets may be designated at initial recognition as AFS financial assets if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets are carried at fair value in the consolidated statement of financial position. Unrealized gains and losses are recognized in other comprehensive income as "Unrealized mark-to-market gain or loss on AFS financial assets" until the financial asset is derecognized or until the financial asset is determined to be impaired at which time the cumulative unrealized mark-to-market gain or loss previously reported as other comprehensive income is recognized as part of profit or loss in the consolidated statement of comprehensive income. AFS financial assets are classified as current assets if expected realization is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets. When the investment is disposed of, the cumulative gains or losses previously recorded in other comprehensive income is recognized in the consolidated statement of comprehensive income as part of profit or loss. Interest earned or paid on the investments is reported as interest income using the effective interest method. Dividends earned on equity investments are recognized in the consolidated statement of comprehensive income when the right of payment has been established.

AFS financial assets include unquoted equity instruments, which are carried at cost, less any accumulated impairment in value. The fair value of these instruments is not reasonably determinable due to the unpredictable nature of future cash flows and the lack of other suitable methods for arriving at a fair value.

The Company's AFS financial assets as at December 31, 2013 and 2012 consist of investments in equity instruments (see Notes 9 and 26).

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading nor designated as at FVPL upon the inception of the liability and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

These financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Classified under this category are the Company's loans payable, trade and other payables, advances from related parties, subscriptions payable and other noncurrent liabilities (see Note 26).

Determination of Amortized Cost. Amortized cost is computed using the effective interest method, less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are integral part of the effective interest.

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

Impairment of Financial Assets
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost. The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment based on historical loss experience. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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

The carrying amount of the asset shall be reduced either directly or through use of an allowance account and the amount of the loss shall be recognized in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans, together with associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of comprehensive income. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets Carried at Cost. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Financial Assets. For AFS financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized as other comprehensive income, is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss in the consolidated statement of comprehensive income; increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income. Future interest income is based on the reduced carrying amount of the asset and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" account in the consolidated statement of comprehensive income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of comprehensive income, the impairment loss is reversed through profit or loss in the consolidated statement of comprehensive income.

Derecognition of Financial Assets and Liabilities

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

a. the rights to receive cash flows from the asset have expired; or

b. the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or

c. the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company’s continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

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

<u>Classification of Financial Instruments between Debt and Equity</u>
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement.

A financial instrument is classified as debt if it provides for a contractual obligation to:

a. deliver cash or another financial asset to another entity; or

b. exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

c. satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from date of acquisition and are subject to an insignificant risk of change in value.

Investments in Associates
The Company's investments in its associates are accounted for under the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture of the Company. The investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Company's share in the net assets of the associates, less any impairment in value. The consolidated statement of comprehensive income reflects the Company's share in the results of operations of the associates.

Unrealized gains arising from transactions with its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

The financial statements of the associate are prepared on the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

Assets Classified as Held-for-Sale and Discontinued Operations
Assets classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets are classified as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses associated with assets held for sale are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Company retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated statement of comprehensive income.

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is:

a. A component of the Group that is a CGU or a group of CGUs
b. Classified as held for sale or distribution or already disposed in such a way, or
c. A major line of business or major geographical area.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Property and Equipment

Property and equipment, except land, are stated at cost excluding the cost of day-to-day servicing, less accumulated depreciation and amortization and accumulated impairment losses. Land is stated at cost less any impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties and any directly attributable costs, including borrowing cost, in bringing the property and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to operations in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Construction in progress includes cost of construction of property and equipment, less any impairment in value. Construction in progress is not depreciated until such time that the relevant assets are completed and available for operational use.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Mining equipment	1-2 years
Office and other equipment	1-5 years
Leasehold improvements	5 years or term of the lease, whichever is shorter

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are credited or charged to current operations.

The property and equipments' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end.

Investment Properties

Investment properties are measured initially at cost, including related transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date and have been determined based on the latest valuations performed by an independent firm or appraisers. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of comprehensive income in the year in which the gains or losses arise.

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

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. These transfers are recorded using the carrying amount of the investment property at the date of change in use.

Mining Rights
Mining rights are carried at cost less any impairment in value.

Expenditures for mine exploration work prior to drilling are charged to operations. Expenditures for the acquisition of property rights and expenditures subsequent to drilling and development costs are deferred. When exploration work and project development results are positive, these costs and subsequent mine development costs are capitalized as “Mining rights,” which are included as part of “Other noncurrent assets” account in the consolidated statement of financial position, until the start of commercial operations when such costs are transferred to property and equipment. When the results are determined to be negative or not commercially viable, the accumulated costs are written off.

Deferred Exploration Costs
Expenditures for exploration works on mining properties (i.e., acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource) are deferred as incurred and included as part of “Other noncurrent assets” account in the consolidated statement of financial position. If and when recoverable reserves are determined to be present in commercially producible quantities, the deferred exploration expenditures and subsequent mine development costs are capitalized as part of the “Mining equipment” account classified under “Property and equipment” account in the consolidated statement of financial position.

A valuation allowance is provided for unrecoverable mining rights and deferred exploration costs based on the Company’s assessment of the future prospects of the exploration project. Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable, all revocable cost associated with the project and the related impairment provisions are written off. When a project is abandoned, the related deferred exploration costs are also written off.

Business Combination
Business combinations are accounted for using the acquisition method. Applying the acquisition method requires the (a) determination whether the Company will be identified as the acquirer, (b)

determination of the acquisition-date, (c) recognition and measurement of the identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree and (d) recognition and measurement of goodwill or a gain from a bargain purchase. The cost of an acquisition is measured as the aggregate of the (a) consideration transferred by the Company, measured at acquisition-date fair value, (b) amount of any non-controlling interest in the acquiree and (c) acquisition-date fair value of the Company's previously held equity interest in the acquiree in a business combination achieved in stages. Acquisition costs incurred are expensed and included in "General and administrative expenses" account in the consolidated statement of comprehensive income.

Business Combination Achieved in Stages. In a business combination achieved in stages, the Company remeasures its previously held equity interests in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in profit or loss.

<u>Goodwill</u>
Initial Measurement of Goodwill or Gain on a Bargain Purchase. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as gain on a bargain purchase. Before recognizing a gain on a bargain purchase, the Company determines whether it has correctly identified all of the assets acquired and all of the liabilities assumed and recognize any additional assets or liabilities that are identified in that review.

Subsequent Measurement of Goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment Testing of Goodwill. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition-date, allocated to each of the Company's cash-generating units (CGU), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and

- is not larger than an operating segment as defined in PFRS 8, *Operating Segments*, before aggregation.

<u>Impairment of Nonfinancial Assets</u>
The Company assesses at each reporting date whether there is an indication that an asset (investment in associates, property and equipment, investment properties and other noncurrent assets) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are

corroborated by valuation multiples, quoted share prices for publicly traded securities or other available fair value indicators. Impairment losses, if any, are recognized in the consolidated statement of comprehensive income in the expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

<u>Capital Stock and Additional Paid-in Capital</u>
Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

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

<u>Deficit</u>
The amount included in deficit includes profit (loss) attributable to the Company's equity holders and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the Company's stockholders. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

<u>Revenue</u>
Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Service Fees from discontinued operation. Revenue from janitorial services is generally recognized when services are rendered and acknowledged by the customer.

Rental Income. Revenue (included as part of "Others" account in the consolidated statement of comprehensive income) arising from investment properties is recorded as income on a straight-line basis over the lease term.

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield on the assets.

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

Costs and Expenses
Cost of services and general and administrative expenses are recognized as incurred.

Employee Benefits

Retirement Costs. The Company has an unfunded, noncontributory defined benefit retirement plan covering substantially all of its employees.

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

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Company) and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation under 'general and administrative expenses' in consolidated statements of comprehensive income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

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

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

a. there is a change in contractual terms, other than a renewal or extension of the agreement;

b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

c. there is a change in the determination of whether the fulfillment is dependent on a specified asset; or

d. there is a substantial change to the asset.

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

Company as a Lessee. Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Company as a Lessor. Leases where the Company does not transfer substantially all the risks and reward of ownership of the asset are classified as operating leases. Lease payments received are recognized as income in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased assets and recognized over the lease term on the same basis as rental income.

Taxes

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

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from the excess of MCIT over RCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax to assets be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-Added Tax (VAT). Revenues, expenses and assets are recognized, net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the taxation authority is included as part of "Other current assets" and "Trade and other payables" accounts, respectively, in the consolidated statement of financial position.

<u>Foreign Currency-Denominated Transactions</u>
Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated using the closing exchange rate at the reporting date. All differences are taken to the consolidated statement of comprehensive income.

<u>Provisions</u>
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

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

Segment Reporting
The Company is organized and managed separately according to the nature of business. The three major operating businesses of the Company are general services, mining and exploration and unallocated corporate balances and other operations. These operating businesses are the basis upon which the Company reports its primary segment information presented in Note 6 to the consolidated financial statements.

Events after the Reporting Period
Post year-end events that provide additional information about the Company's financial position at the reporting period (adjusting events), if any, are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Earnings (Loss) per Common Share
Earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares issued and outstanding during each year after giving retroactive effect to stock dividends declared during the year and after deducting the treasury shares, if any. The Company has no dilutive potential common shares outstanding.

3. Management's Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect certain reported amounts and disclosures. In preparing the consolidated financial statements, management has made its best judgments and estimates of certain amounts, giving due consideration to materiality. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from those estimates, and such estimates will be adjusted accordingly.

Judgments, estimates and assumptions are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company believes that the following represent a summary of these significant judgments, estimates and assumptions and related impact and associated risks in its consolidated financial statements.

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

Asset Held-for-Sale and Discontinued Operations. On December 19, 2012, BOD authorized the sale of EGSI. Consequently, as at December 31, 2012, EGSI was classified as a disposal group held-for-sale and discontinued operations. EGSI met the criteria of an asset to be classified as held-for-sale as at December 31, 2012 for the following reasons:

- EGSI is available for immediate sale and can be sold to a potential buyer in its current condition;

- the BOD had a plan to EGSI and had entered into preliminary negotiations with a potential buyer. Should negotiations with the party not lead to a sale, a number of other potential buyers have been identified; and,

- the negotiations were finalized and the sale was completed in 2013.

Operating Lease Commitments - Company as Lessee. The Company has entered into lease agreements with Philippine Global Communication, Inc. (PhilCom) for use of certain office spaces. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it has not retained any significant risks and rewards of ownership of these properties because the lease agreements do not transfer to the Company the ownership over the assets at the end of the lease term and do not provide a bargain purchase option over the leased assets and accounts for these arrangements as operating leases.

Rental expense recognized by the Company amounted to ₱0.6 million in 2013, 2012 and 2011 (see Notes 18 and 19).

Operating Lease Commitments - Company as Lessor. The Company has entered into lease agreements on its investment property. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties because the lease agreements do not transfer the ownership of the assets to the lessee at the end of the lease term and do not give the lessee a bargain purchase option over the assets and accounts for these agreements as operating leases.

Rental income generated by APC Properties (included as part of "Other income - net" account in the consolidated statements of comprehensive income) amounted to ₱2.6 million and ₱2.5 million in 2012 and 2011, respectively (see Note 21). There was no rental income in 2013 as the Company sold its interest in APC Properties in December 2012.

Impairment of AFS Financial Assets. The Company treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20% or more and "prolonged" as greater than six months for quoted equity securities.

No impairment loss was recognized in 2013, 2012 and 2011. AFS financial assets amounted to ₱28.3 million and ₱32.3 million as at December 31, 2013 and 2012, respectively (see Note 9).

Classification of AFS Financial Assets. The Company holds various AFS financial assets. The Company expects that portion of these AFS financial assets are to be realized within 12 months from the reporting date to respond to the liquidity requirement of the Company. Consequently, these are classified as part of current assets in the consolidated statements of financial position.

AFS financial assets classified as current assets amounted to ₱0.1 million as at December 31, 2013 and 2012 (see Note 9).

Estimates and Assumptions

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

Estimating Allowance for Doubtful Accounts. The Company maintains allowance for doubtful accounts based on the result of the specific and collective assessment. Under the specific assessment, the Company is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivable's carrying amount and the computed present value. Impairment loss is then determined based on loss experience of the receivables grouped per credit risk profile. Loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the specific and collective assessments are based on management's judgments and estimates. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

Provision for doubtful accounts amounted to ₱0.1 million in 2011 (see Note 8 and 19). No provisions were recognized in 2013 and 2012. Trade and other receivables amounted to ₱11.3 million and ₱25.3 million as at December 31, 2013 and 2012, respectively (see Note 8).

Estimating Useful Lives of Property and Equipment. The useful life of each of the Company's item of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded depreciation expense and decrease the carrying value of property and equipment.

There was no change in the estimated useful lives of property and equipment in 2013 and 2012. The carrying value of property and equipment amounted to ₱0.7 million and ₱1.3 million as at December 31, 2013 and 2012, respectively (see Note 12).

Fair Value of Investment Properties. In 2008, the Company started carrying its investment properties at fair value, with changes in fair values being recognized in the consolidated statements of comprehensive income. The Company engaged an independent valuation specialist to determine the fair value as at December 31, 2013 and 2012. The appraiser used a valuation technique based on Market Data Approach. In this approach, the value of the land is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. The comparison was premised on the factors of location, size and shape of the lot and time element.

Fair value gain on investment properties amounted to nil and ₱25.3 million in 2013 and 2012, respectively. Total fair value of investment properties amounted to ₱157.0 million as at December 31, 2013 and 2012 (see Note 13).

Impairment of Goodwill. The Company determines whether goodwill with indefinite useful life is impaired at least on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the CGU to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

No impairment loss was recognized in 2013, 2012 and 2011. The carrying amount of goodwill amounted to ₱6.0 million as at December 31, 2013 and 2012 (see Note 14).

Estimating the Fair Values of Acquiree's Identifiable Assets and Liabilities. Where the fair values of the acquiree's identifiable assets and liabilities cannot be derived from active markets, the Group determined the fair values using internal valuation techniques and generally accepted valuation approaches. The inputs to these valuation approaches are taken from historical experience and observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. The estimates may include discount rates and assumptions used in cash flow projections.

The fair values of the identifiable net assets acquired from PRC-Magma amounted to ₱24.4 million (see Note 4).

Impairment of Nonfinancial Assets. An impairment review is performed when certain impairment indicators are present. The determination of the recoverable amounts of nonfinancial assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Company to conclude that the nonfinancial assets are impaired. Any resulting impairment loss could have a material impact on the Company's consolidated financial position and financial performance.

The preparation of the estimated future cash flows involves judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges.

The carrying values of the Company's nonfinancial assets that are subject to impairment testing when certain impairment indicators are present are as follows:

	2013	2012
Property and equipment (see Note 12)	**₱678,112**	₱1,293,017
Other noncurrent assets* (see Note 14)	**85,217,117**	124,780,089

**Excluding deposits*

Impairment loss recognized on deferred exploration costs and mining rights under "Provision for impairment of deferred exploration costs and mining rights" account in the consolidated statements of comprehensive income amounted to ₱46.8 million, ₱17.1 million and ₱24.7 million in 2013, 2012 and 2011, respectively (see Note 14).

Realizabiltiy of Deferred Tax Assets. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that sufficient taxable profit will be generated to allow all or part of the deferred tax assets to be utilized. The Company's assessment on recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the forecasted taxable income. This forecast is based on the Company's past results and future expectations on revenue and expenses.

There were no recognized deferred tax assets as at December 31, 2013 and 2012. Unrecognized deferred tax assets amounted to ₱59.3 million and ₱78.1 million as at December 31, 2013 and 2012, respectively (see Note 22).

Fair Value of Financial Assets and Liabilities. Certain financial assets and liabilities are required to be carried at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and financial liabilities would directly affect profit or loss and equity.

The fair values of the Company's financial assets and liabilities are disclosed in Note 26.

Retirement Costs. The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Retirement costs amounted to ₱0.5 million, ₱0.6 million and ₱0.4 million in 2013, 2012 and 2011, respectively (see Note 20). Accrued retirement costs amounted to ₱6.4 million and ₱3.8 million as at December 31, 2013 and 2012, respectively (see Note 20).

Contingencies. The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. The Company is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Company's management and legal counsel believe that, after making certain provisions in prior years, the eventual liabilities under these lawsuits or claims, if any, will no longer have a material effect on the Company's consolidated financial statements. Accordingly, no provision for probable losses arising from legal contingencies was recognized in the consolidated statements of comprehensive income in 2013, 2012 and 2011.

4. **Disposal of a Subsidiary and Business Combination Achieved in Stages**

a. Disposal of a subsidiary

The Company's interest in APC Properties, Inc. consists of 60% of total shares to the latter. In 2012, management decided to sell its interest in APC Properties, Inc. to Sigma Cee Mining Corporation for ₱13.8 million. The difference between the selling price of the 60% interest in APC properties, Inc. and the carrying value of investments amounting to ₱7.5 million was recorded under "Gain on sale of investments in subsidiary, associates and available for sale financial assets - net" account in the 2012 consolidated statement of comprehensive income. Consequently, the assets, liabilities and equity pertaining to APC Properties, Inc. were excluded in the consolidated balances.

b. Business combination achieved in stages

Prior to September 2012, out of 854,250 shares of PRC-Magma, APEC holds 520,000 shares in trust for the beneficial owner, Kalinga Apayao Geothermal Resources, Inc. (KAGRI), by virtue of the Declaration of Trust entered into between the APEC and KAGRI on February 2, 2010. Accordingly, APEC is the beneficial owner of the shares of PRC-Magma only to the extent of 334,250 shares or approximately 33.26% of the total outstanding capital stock of PRC-Magma. On September 6, 2012, the Declaration of Trust between APEC on one hand and KAGRI and Apayao 888 on one hand were revoked resulting to increase to 85.0% ownership in the subsidiary. The consideration for the increase by 51.74% amounted to ₱16.1 million which pertains to advances for KAGRI's beneficial interest of PRC-Magma (see Note 11).

The Company's objective in this venture is to focus on deriving real growth and profitability in the mining and energy industry.

The fair values (provisionally determined to be equal to the book values at the date of acquisitions, except as otherwise indicated) of the identifiable assets acquired and liabilities assumed from PRC-Magma as at date of acquisitions are as follows:

Cash in bank	₱383,228
Money market placement	8,208,560
Accrued interest receivable	11,298
Advances to officers and employees	281,660
Advances to Aragorn Power	1,762,500
Input tax	451,012
Deferred exploration costs	14,195,844
Total identifiable assets acquired	25,294,102
Less:	
Accounts payable	730,789
Withholding tax payable	26,133
Accrued expenses	102,365
Total liabilities assumed	859,287
Net identifiable assets acquired	₱24,434,815

Goodwill acquired in the business combination was determined as follows:

Fair value of consideration transferred	₱16,057,500
Non-controlling interests' share in the net assets acquired	3,665,222
Previously held equity interests (33.26%)	10,705,000
Aggregate amount	30,427,722
Less acquisition - date fair value of net assets acquired	24,434,815
Goodwill	₱5,992,907

Goodwill comprises the value of expected synergies arising from the business combinations.

PRC-Magma contributed ₱0.4 million and (₱6.5 million) from the date of acquisition to December 31, 2012 to the consolidated revenue and net income for the period, respectively. If the business combination had taken place at the beginning of 2012, consolidated revenue and net income for the year would have been ₱40.6 million and ₱4.6 million.

5. Discontinued Operations

On December 19, 2012 the BOD decided to sell EGSI. EGSI will be sold to a third party pursuant to management's decision to start disposing its noncore businesses.

As at December 31, 2012, EGSI was classified as a disposal group held for sale and as a discontinued operation.

In 2013, the sale of 100% equity interest in EGSI for a consideration of ₱25.0 million resulted to a loss of ₱7.4 million.

The results of EGSI, net of intercompany transactions, classified as discontinued operations for the years ended December 31, 2013, 2012 and 2011 are as follows:

	2013	2012	2011
Service fees	**₱–**	₱368,950,897	₱345,028,291
Cost of services (Note 18)	–	(339,871,364)	(321,271,142)
Gross income	–	29,079,533	23,757,149
General and administrative	–	(28,392,456)	(28,012,273)
Interest income	–	10,118	13,915
Interest expense (Note 15)	–	(545,163)	(532,366)
Other income - net	–	122,242	2,699
	–	(28,805,259)	(28,528,025)
Loss on sale of investments	**(7,380,128)**	–	–
Income (loss) before income tax	**(7,380,128)**	274,274	(4,770,876)
Provision for income tax:			
Current	–	804,706	550,759
Deferred	–	(577,420)	(1,964,405)
	–	227,286	(1,413,646)
Net income (loss) from discontinued operations	**(₱7,380,128)**	₱46,988	(₱3,357,230)
Basic/diluted profit (loss) per share from discontinued operations (Note 24)	**(₱0.000983)**	₱0.000006	(₱0.000447)

The major classes of assets and liabilities of EGSI classified as held-for-sale as at December 31, 2012 are as follows:

Assets:	
Cash and cash equivalents	₱2,163,582
Trade and other receivables - net (Note 8)	65,591,441
Other current assets	37,088,533
Property and equipment	3,942,306
Deferred tax assets (Note 22)	9,860,009
Other noncurrent assets	1,002,494
Assets classified as held-for-sale	119,648,365
Liabilities:	
Loans payable (Note 15)	4,525,000
Trade and other payables	53,062,368
Advances from related parties	14,152
Accrued retirement costs	20,432,586
Liabilities directly associated with assets classified as held-for-sale	78,034,106
Net assets directly associated with disposal group	₱41,614,259

The net cash flows used in the Company's discontinued operations are as follows:

	2013	2012	2011
Net cash used in:			
Operating activities	**₱–**	₱4,952,556	₱9,929,660
Investing activities	**25,000,000**	(4,025,661)	(2,271,400)
Financing activities	**–**	(3,797,236)	(2,868,050)
Net increase (decrease) in cash	**₱25,000,000**	(₱2,870,341)	₱4,790,210

6. Segment Information

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

As discussed in Note 1, the Company is engaged in general services and mining and exploration activities, among others.

Following are the segments of the Company:

a. Mining and Exploration - pertain to the mining, coal and power and energy business of the Company.

b. Unallocated Corporate Balances and Other Operations - contain the operations of the holding companies and the real estate business.

c. General Services - pertain to the operations of EGSI, a subsidiary involved in establishing, managing, operating and carrying on the business of cleaning buildings and other premises, as well as rendering general and janitorial services. This subsidiary was already classified as a disposal group held for sale and as a discontinued operation in 2012 and actually sold in 2013 (Note 5).

Segment revenue, segment expenses and segment results include transfers among business segments. Those transfers are eliminated in the consolidation.

Information with regard to the significant business segments of the Company are shown below:

	Mining and Exploration	**Unallocated Corporate Balances and Other Operations**	**Combined**	**Eliminations**	**Total**	**Discontinued Operation - General Services**	**Total Operations**
Year Ended December 31, 2013							
Segment expenses	**(₱2,150,109)**	**(₱11,131,319)**	**(₱13,281,428)**	**(₱2,259,737)**	**(₱15,541,165)**	**–**	**(15,541,165)**
Interest expense	**(25,851)**	**–**	**(25,851)**	**–**	**(25,851)**	**–**	**(25,851)**
Interest income	**144,232**	**1,240,255**	**1,384,487**	**–**	**1,384,487**	**–**	**1,384,487**
Provision for impairment of deferred exploration costs and mining rights	**(46,788,151)**	**–**	**(46,788,151)**	**–**	**(46,788,151)**	**–**	**(46,788,151)**
Gain (loss) on sale of investments in subsidiary and associates and available-for-sale financial assets - net	**–**	**71,389,068**	**71,389,068**	**(62,165,896)**	**9,223,172**	**(7,380,128)**	**1,843,044**
Other income	**–**	**4,898,677**	**4,898,677**	**(16,769,434)**	**(11,870,757)**	**–**	**(11,870,757)**
Provision for income tax	**(28,886)**	**(346,043)**	**(374,929)**	**–**	**(374,929)**	**–**	**(374,929)**
Net income (loss)	**(₱48,848,765)**	**₱66,050,638**	**₱17,201,873**	**(₱81,195,067)**	**(₱63,993,194)**	**(₱7,380,128)**	**(₱71,373,322)**
As at December 31, 2013							
Other information:							
Segment assets	**₱110,591,201**	**₱483,176,490**	**₱593,767,691**	**(₱225,697,668)**	**₱368,070,023**	**–**	**₱368,070,023**
Segment liabilities	**111,055,910**	**208,400,252**	**319,456,162**	**(130,358,063)**	**189,098,099**	**–**	**189,098,099**
Depreciation and amortization	**487,706**	**174,226**	**661,932**	**–**	**661,932**	**–**	**661,932**
Impairment loss	**46,788,151**	**–**	**46,788,151**	**–**	**46,788,151**	**–**	**46,788,151**

	Continuing Operations						
	Mining and Exploration	Unallocated Corporate Balances and Other Operations	Combined	Eliminations	Total	Discontinued Operation - General Services	Total Operations
Year Ended December 31, 2012							
Segment revenue	₱–	₱–	₱–	₱–	₱–	₱368,950,897	₱368,950,897
Segment expenses	(3,025,659)	(13,097,261)	(16,122,920)	–	(16,122,920)	(368,263,820)	(384,386,740)
Segment results	(3,025,659)	(13,097,261)	(16,122,920)	–	(16,122,920)	687,077	(15,435,843)
Interest expense	(62,041)	–	(62,041)	–	(62,041)	(545,163)	(607,204)
Interest income	620,573	465,097	1,085,670	–	1,085,670	10,118	1,095,788
Provision for impairment of deferred exploration costs and mining rights	(17,132,891)	–	(17,132,891)	–	(17,132,891)	–	(17,132,891)
Gain (loss) on sale of investments in subsidiary and associates and available-for-sale financial assets - net	–	5,921,637	5,921,637	–	5,921,637	–	5,921,637
Fair value gain on investment properties	–	25,280,872	25,280,872	–	25,280,872	–	25,280,872
Equity in net loss of associates	–	(18,218)	(18,218)	–	(18,218)	–	(18,218)
Other income	–	6,623,011	6,623,011	(313,093)	6,309,918	122,242	6,432,160
Dividend income	–	38,900,261	38,900,261	(38,220,288)	679,973	–	679,973
Provision for income tax	(124,240)	(640,676)	(764,916)	–	(764,916)	(227,286)	(992,202)
Net income (loss)	(₱19,724,258)	₱63,434,723	₱43,710,465	(₱38,533,381)	₱5,177,084	₱46,988	₱5,224,072
As at December 31, 2012							
Other information:							
Segment assets	₱152,503,993	₱599,730,529	₱752,234,522	(₱353,332,512)	₱398,902,010	₱119,648,365	₱518,550,375
Segment liabilities	103,260,650	297,752,148	401,012,798	(216,981,975)	184,030,823	78,034,106	262,064,929
Deferred tax liabilities	–	7,975,500	7,975,500	(7,975,500)	–	–	–
Depreciation and amortization	567,130	113,693	680,823	–	680,823	1,883,295	2,564,118

	Continuing Operations						
	Mining and Exploration	Unallocated Corporate Balances and Other Operations	Combined	Eliminations	Total	Discontinued Operation - General Services	Total Operations
Year Ended December 31, 2011							
Segment revenue	₱–	₱–	₱–	₱–	₱–	₱345,028,291	₱345,028,291
Segment expenses	(3,713,372)	(8,750,481)	(12,463,853)	–	(12,463,853)	(349,283,415)	(361,747,268)
Segment results	(3,713,372)	(8,750,481)	(12,463,853)	–	(12,463,853)	(4,255,124)	(16,718,977)
Interest expense	(417,267)	–	(417,267)	316,861	(100,406)	(532,366)	(632,772)
Interest income	468,888	490,474	959,362	(316,861)	642,501	13,915	656,416
Equity in net losses of associates	(217,940)	(44,200)	(262,140)	–	(262,140)	–	(262,140)
Provision for impairment of deferred exploration costs and mining rights	(24,716,367)	–	(24,716,367)	–	(24,716,367)	–	(24,716,367)
Other income	1,683	52,079,414	52,081,097	(9,849,591)	42,231,506	2,699	42,234,205
Dividend income	–	7,550	7,550	–	7,550	–	7,550
Provision for income tax	(93,778)	6,856,045	6,762,267	–	6,762,267	1,413,646	8,175,913
Net income (loss)	(₱28,688,153)	₱50,638,802	₱21,950,649	(₱9,849,591)	₱12,101,058	(₱3,357,230)	₱8,743,828
As at December 31, 2011							
Other information:							
Segment assets	₱139,475,140	₱583,922,812	₱723,397,952	(₱251,785,378)	₱471,612,574	₱94,428,761	₱566,041,335
Segment liabilities	96,336,925	317,318,771	413,655,696	(201,178,121)	212,477,575	93,966,711	306,444,286
Deferred tax assets	–	–	–	–	–	9,282,589	9,282,589
Deferred tax liabilities	–	7,975,500	7,975,500	–	7,975,500	–	7,975,500
Depreciation and amortization	505,946	240,474	746,420	–	746,420	1,850,745	2,597,165
Impairment loss	24,716,367	–	24,716,367	–	24,716,367	–	24,716,367

7. Cash and Cash Equivalents

This account consists of:

	2013	2012
Cash on hand and in banks	**₱1,712,000**	₱20,044,788
Short-term investments	**72,042,007**	24,584,695
	₱73,754,007	₱44,629,483

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term investment rates.

Interest income earned from cash in banks and short-term investments amounted to ₱1.4 million, ₱1.1 million and ₱0.6 million in 2013, 2012 and 2011, respectively.

8. Trade and Other Receivables

This account consists of:

	2013	2012
Trade	**₱893,999**	₱16,950
Advances to officers and employees	**634,524**	453,917
Receivable from sale of investments (see Notes 4 and 9)	**9,223,172**	24,708,995
Others	**594,987**	128,363
	₱11,346,682	₱25,308,225

The terms and conditions of the above receivables are as follows:

a. Trade receivables are noninterest-bearing and generally have 30-day term.

b. Advances to officers and employees are noninterest-bearing and are normally settled within a 30-day term.

c. Receivable from sale of investments pertains to sale of investments in subsidiary and available-for-sale financial assets to third party.

d. Other receivables consist of advances to contractors and suppliers.

9. Available-for-Sale Financial Assets

This account consists of:

	2013	2012
Sinophil Corporation (Sinophil)	**₱27,000,000**	₱31,009,600
Others	**1,270,021**	1,270,021
	28,270,021	32,279,621
Less current portion	**84,921**	84,921
	₱28,185,100	₱32,194,700

Quoted equity securities are traded in the PSE. These are carried at fair value with cumulative changes in fair values presented under "Unrealized mark-to-market gain on available-for-sale financial assets" account in the consolidated statements of changes in equity. The fair values of these shares are based on the quoted market price as of reporting date.In 2012, the Company sold some of its investments in equity securities with a total acquisition cost of ₱0.1 million for a consideration amounting to ₱0.3 million, resulting to a realized gain of ₱0.2 million. In 2011, quoted equity shares in Belle Corporation were sold with a total acquisition cost of ₱7.1 million for a consideration amounting to ₱45.6 million, resulting to a realized gain of ₱38.5 million.

In 2013, the Company sold investment in equity securities with a total acquisition cost of ₱9.2 million and for the same amount of consideration. These were fully impaired, thus, the amount of consideration was recorded as gain on sale of investments in subsidiary, associates and available-for-sale financial assets - net in the 2013 consolidated statement of comprehensive income.

Movements of AFS financial assets as at December 31 are as follows:

	2013	2012
Balance at beginning of year	**₱32,279,621**	₱34,549,779
Fair value changes	**(4,000,300)**	(2,000,600)
Disposals	**(9,300)**	(269,558)
Balance at end of year	**₱28,270,021**	₱32,279,621

Movements of the unrealized mark-to-market gain on AFS financial assets attributable to the shareholders of the Parent Company (presented in the equity section of the consolidated statements of financial position) follow:

	2013	2012
Balance at beginning of year	**₱19,000,300**	₱21,197,039
Unrealized mark-to-market loss	**(4,000,000)**	(2,000,600)
Realized mark-to-market gain	**(300)**	(196,139)
Balance at end of year	**₱15,000,000**	₱19,000,300

As at December 31, 2013 and 2012, subscriptions payable related to the AFS financial assets amounted to ₱75.2 million.

10. Other Current Assets

This account consists of:

	2013	2012
Input VAT	**₱5,804,069**	₱5,339,913
Prepayments and others	**1,785**	2,306,538
	₱5,805,854	₱7,646,451

11. Investments in and Advances to Associates

The movements on the carrying amount of investments in associates as at December 31, 2012 are as follow:

	Acquisition Costs	Accumulated Equity in Net Losses of Associates	Total
Balance at January 1, 2012	₱40,837,500	(₱3,238,575)	₱37,598,925
Equity in net loss during the year	–	(18,218)	(18,218)
Business combination achieved in stages (see Note 4)	(26,762,500)	6,048,465	(20,714,035)
Write-off	(9,700,000)	(3,154,664)	(12,854,664)
Disposal	(4,375,000)	362,992	(4,012,008)
Balance at December 31, 2012	₱–	₱–	₱–

This account consists of the following as at December 31, 2011

Acquisition costs:	
PRC-Magma	₱10,705,000
Airstream Broadband	9,700,000
APC Distribution	4,375,000
	24,780,000

(Forward)

Accumulated equity in net losses (income) of associates:	
PRC-Magma	(₱6,048,465)
Airstream Broadband	3,172,882
APC Distribution	(362,992)
	(3,238,575)
Advances for KAGRI's beneficial interests of PRC-Magma	16,057,500
Carrying amount	₱37,598,925

PRC-Magma
As at December 31, 2009, APEC owns 334,250 shares, or approximately 33.26%, of PRC-Magma.

On February 2, 2010, APEC and KAGRI entered into a trust agreement wherein APEC will be buying additional 520,000 shares, or approximately 51.74%, of PRC-Magma, to be held in trust for KAGRI. The amount of ₱16.1 million advanced by APEC is recorded as Advances for KAGRI's beneficial interests of PRC-Magma presented as Investments in and Advances to Associates in the 2011 consolidated statement of financial position. As at December 31, 2011, APEC is the registered shareholder of 854,250 shares, or approximately 85%, of PRC-Magma, but beneficially owns only 33.26%.

On September 6, 2012, both parties mutually agreed to terminate the trust agreement resulting to APEC becoming the beneficial owner of 51.74% interests previously held in trust for KAGRI in exchange for APEC's advances.

The termination of the trust agreement resulted in PRC-Magma becoming a subsidiary of the APEC effective September 6, 2012.

Airstream Broadband
Airstream Broadband was incorporated and registered with the SEC on November 9, 2000 to engage in the telecommunications industry. In 2012, the Company determined that the investments in Airstream Broadband are no longer recoverable. Consequently, the acquisition costs and the accumulated equity in net losses totaling to ₱12.9 million were written off by the Company.

APC Distribution
APC Distribution was incorporated and registered with the SEC on August 29, 1997 to engage in the business of trading goods such as cement and other building materials on a wholesale basis. In 2012, the Company sold its investments in APC Distribution amounting to ₱4.4 million for ₱3.8 million to a third party. As a result, APC Distribution is no longer an investee of the Company.

Condensed financial information of PRC-Magma, Airstream Broadband and APC Distribution follow:

Associate	Year	Total Assets	Total Liabilities	Equity	Net Revenue	Net Loss
PRC-Magma	**2013**	**₱24,832,280**	**₱922,131**	**₱23,910,149**	**₱142,709**	**(₱524,666)**
	2012	25,294,102	859,287	24,434,815	372,490	(520,186)
Airstream Broadband	2012	12,095,626	40,000	12,055,626	–	(45,546)
APC Distribution	2012	11,920,871	1,022,482	10,898,389	–	(97,085)

12. **Property and Equipment**

This account consists of:

	2013				
	Land	**Mining Equipment**	**Office and Other Equipment**	**Leasehold Improvements**	**Total**
Cost	**₱64,000**	**₱596,866**	**₱5,323,407**	**₱3,344,949**	**₱9,329,222**
Accumulated depreciation and amortization:					
Balance at beginning of year	**–**	**159,436**	**4,784,421**	**3,092,348**	**8,036,205**
Depreciation and amortization	**–**	**–**	**484,624**	**130,281**	**614,905**
Balance at end of year	**–**	**159,436**	**5,269,045**	**3,222,629**	**8,651,110**
Net book value	**₱64,000**	**₱437,430**	**₱54,362**	**₱122,320**	**₱678,112**

	2012					
	Land	Mining Equipment	Office and Other Equipment	Leasehold Improvements	Construction in Progress	Total
Cost:						
Balance at beginning of year	₱64,000	₱50,080	₱41,052,797	₱5,502,689	₱546,786	₱47,216,352
Additions	–	–	21,875	138,313	–	160,188
Transfer	–	546,786	–	–	(546,786)	–
Discontinued operations	–	–	(35,751,265)	(2,296,053)	–	(38,047,318)
Balance at end of year	64,000	596,866	5,323,407	3,344,949	–	9,329,222
Accumulated depreciation and amortization:						
Balance at beginning of year	–	50,080	37,490,477	5,111,654	–	42,652,211
Depreciation and amortization	–	109,356	424,200	100,240	–	633,796
Discontinued operations	–	–	(33,130,256)	(2,119,546)	–	(35,249,802)
Balance at end of year	–	159,436	4,784,421	3,092,348	–	8,036,205
Net book value	₱64,000	₱437,430	₱538,986	₱252,601	₱–	₱1,293,017

The costs of fully depreciated assets still in use amounted to ₱1.1 million as at December 31, 2013 and 2012. There were no idle assets as at December 31, 2013 and 2012.

13. **Investment Properties**

The movement of this account follows:

	2013	2012
Balance at beginning of year	**₱156,953,000**	₱240,265,569
Additions	**33,106**	3,063,559
Disposal of a subsidiary (Note 4)	**–**	(111,657,000)
Fair value adjustments	**–**	25,280,872
Balance at end of year	**₱156,986,106**	₱156,953,000

Investment properties consist of parcels of land which are being held by the Company to earn rentals and/or for capital appreciation.

The aggregate fair values of the investment properties are determined based on the valuation performed by Asian Appraisal, an independent appraiser annually. The appraiser is an industry specialist in valuing these types of investment property. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of investment properties are determined using the market data approach by gathering available market evidences.

Rental income generated by APC Properties (included as part of "Other income - net" account in the consolidated statements of comprehensive income) from investment properties amounted to, ₱2.6 million and ₱2.5 million in 2012 and 2011, respectively (see Note 21). There was no rental income in 2013 as management decided to sell its interest in APC Properties in December 2012. Direct cost arising from investment properties included under "General and administrative expenses" account in the consolidated statements of comprehensive income amounted to nil, ₱0.6 million and ₱0.7 million in 2013, 2012 and 2011, respectively.

In 2012, investment property owned by APC Properties, Inc. amounting to ₱111.7 million was no longer included in the consolidation of the Company's assets due to the sale of interest of the Parent Company in APC Properties, Inc. (see Note 4).

The Company has no limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, police power and taxation.

Fair value hierarchy disclosures for investment properties have been provided in Note 26.

Description of valuation techniques used and key inputs to valuation on investment properties are as follows:

Highest and best use
Based on analysis of prevailing land usage in the neighborhood and the property itself, *diversified agro-industrial land development* would represent the highest and best use of the property.

Highest and Best Use is defined as the most profitable likely use to which a property can be put. The opinion of such use may be based on the highest and most profitable continuous use to which the property is adapted and needed or that use of land which may reasonably be expected to produce the greatest net return to land over a given period of time. Alternatively, it is that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

Market Data Approach
The value of the land was arrived at using the *Market Data Approach*. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison was premised on the factors of locations, size and shape of the lot, time element and others.

14. **Goodwill and Other Noncurrent Assets**

This account consists of:

	2013	2012
Goodwill (see Note 4)	**₱5,992,907**	₱5,992,907
Deferred exploration costs - net	**85,208,302**	103,560,869
Mining rights - net	**–**	21,163,378
Software (net of accumulated amortization amounting to ₱226,315 and ₱179,288 as at December 31, 2013 and 2012, respectively)	**8,815**	55,842
Deposits	**19,217**	19,217
	85,236,334	124,799,306
	₱91,229,241	₱130,792,213

Mining rights and deferred exploration costs are carried at cost net of allowance for impairment losses. Movements in these accounts are as follows:

	2013	
	Deferred Exploration Costs	**Mining Rights**
Cost:		
Balance at beginning of year	**₱124,386,002**	**₱48,254,908**
Additions	**7,272,206**	**–**
Balance at end of year	**131,658,208**	**48,254,908**
Allowance for impairment:		
Balance at beginning of year	**20,825,133**	**27,091,530**
Provision	**25,624,773**	**21,163,378**
Balance at end of year	**46,449,906**	**48,254,908**
Net book value	**₱85,208,302**	**₱–**

	2012	
	Deferred Exploration Costs	Mining Rights
Cost:		
Balance at beginning of year	₱76,282,666	₱48,254,908
Additions	48,103,336	–
Balance at end of year	124,386,002	48,254,908
Allowance for impairment:		
Balance at beginning of year	15,090,804	16,889,218
Provision	6,930,579	10,202,312
Reversal	(1,196,250)	–
Balance at end of year	20,825,133	27,091,530
Net book value	₱103,560,869	₱21,163,378

In 2012, Aragorn Coal determined that deferred explorations costs amounting to ₱1.2 million are not directly attributable to exploration activities. As a result, Aragorn Coal recorded it as

"Provision for impairment of deferred exploration costs and mining rights" in the statement of comprehensive income.

Deferred exploration costs relate to projects that are currently on-going in the mining areas. The recovery of these costs depends upon the success of exploration activities and future developments of the corresponding mining properties or the discovery of minerals producible in commercial quantities (see Note 1).

In 1997, the Parent Company entered into a MPSA with the Republic of the Philippines represented by the Secretary of DENR pursuant to the provisions of Republic Act No 7942, otherwise known as the "Philippine Mining Act of 1995". The Parent Company became a holder of two MPSA in Cebu. The primary purpose of the MPSA is to provide for the exploration, sustainable development and commercial utilization of limestone and associated cement raw materials and other mineral deposits existing within the contract area.

The Parent Company incurred nil, ₱0.2 million and ₱5.1 million exploration costs in 2013, 2012 and 2011, respectively, in connection with its drilling activities for cement and other mineral exploration in compliance with its MPSA with the DENR.

In 2012, the Company recognized full valuation allowance for unrecoverable deferred exploration costs incurred by certain subsidiaries in Isabela, Palawan, Surigao, and Davao mining areas due to the anti-mining advocacy of the local government units and declaration of moratorium against any exploration or mining development in these areas. In 2012, the Company recognized additional provisions to fully provide allowance for impairment on the mining rights of Palawan, Surigao and Davao mining areas.

In 2013, the Company recognized full valuation allowance for unrecoverable deferred exploration costs and mining rights incurred by APC Mining in Alubijid, Misamis Oriental due to low prospect for chromite, copper and nickel.

15. **Loans Payable**

EGSI availed of a credit facility from Banco de Oro to finance its working capital requirements through a promissory note. The outstanding balance of the loan amounting to ₱4.5 million as at December 31, 2012, respectively, are payable in equal monthly installments within six months from drawdown date. The loans, bearing interest at 9.9% per annum in 2012, are secured by EGSI's receivables from various customers with a carrying value of ₱5.0 million as at December 31, 2012, respectively (see Note 8).

As at December 31, 2012, the outstanding loan was classified under "Liabilities directly associated with assets classified as held-for-sale" account as EGSI was classified as a disposal group held for sale (Note 5).

Interest expense incurred amounted to ₱0.5 million in 2012 and 2011 (Note 5).

16. Trade and Other Payables

This account consists of:

	2013	2012
Trade	**₱1,931,237**	₱2,051,092
Accrued expenses:		
Documentary stamp tax	**8,868,438**	8,735,254
Professional fees	**1,274,887**	1,419,612
Others	**2,267,985**	–
Payable to third party	**13,225,048**	–
Payable to government agencies	**255,763**	811,286
Others	**185,519**	586,114
	₱28,008,877	₱13,603,358

Trade payables are noninterest-bearing and are normally settled on a 30-day term.

Accrued expenses and other payables mainly pertain to payable to utility and other service providers which are normally settled within the next financial year.

Payable to government agencies mainly pertain to statutory liabilities such as output VAT, withholding taxes and premiums on SSS, Philhealth and Pag-ibig fund which are normally settled within the next financial year.

17. Equity

a. Details of authorized and issued capital stock as at December 31, 2013 and 2012 follow:

	Number of Shares	Amounts
Authorized:		
Preferred stock - ₱1 par value	6,000,000,000	₱6,000,000,000
Common stock - ₱1 par value	14,000,000,000	14,000,000,000

	2013	2012
Issued - Common shares	**₱2,513,069,059**	₱2,498,069,059
Subscribed - Common shares (net of subscriptions receivable amounting to ₱1,123,797,849 as at December 31, 2013 and 2012)	**3,874,943,089**	3,889,943,089
	₱6,388,012,148	₱6,388,012,148

b. The preferred shares may be issued from time to time by the Parent Company's BOD, which is authorized to adopt resolutions authorizing the issuance thereof in one or more series for such number of shares and relative rights and preferences, as it may deem beneficial to the Parent Company. As at March 28, 2014, the Parent Company's BOD has not authorized any issuance of preferred shares.

c. In 2007, the Parent Company and Belle agreed that the advances of APC from Belle amounting to ₱3,675.0 million will be offset against subscriptions receivable from Belle representing 3,500.0 million shares subscribed at ₱1.40 a share and the excess over par will be recognized as APIC upon finalization of the details of the agreement. As at December 31, 2013 and 2012, while the agreement has not been legally finalized, the related advances amounting ₱2,625.0 million was presented as a reduction from the subscriptions receivable and the excess over par amounting to ₱1,050 million as APIC since the pending activities are administrative in nature and are not expected to substantially affect the intent of the parties nor the substance of the agreement.

d. The following summarizes the information on the Company's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Type of Issuance	Authorized Shares	Issue/ Offer Price
January 7, 1994	Initial public offering	80,000,000,000	₱0.01
July 9, 1996	Additional public offering	100,000,000,000	0.01
July 12, 1996	Stock option	5,300,000,000	0.01

The total number of shareholders is 616 and 617 as at December 31, 2013 and 2012, respectively.

e. On June 18, 2013, BOD approved the amendment of the seventh article of the Corporation's Articles of Incorporation by reducing the par value from one peso (₱1.00) to thirty-five centavos (₱0.35), to read as follows:

"The capital stock of the Corporation is seven billion (₱7,000,000,000) pesos, Philippine Currency, divided into fourteen billion (14,000,000,000) common shares and six billion (6,000,000,000) preferred shares both with par value of thirty-five centavos (₱0.35) per share."

The reduction in par value will be undertaken to substantially reduce the Company's capital deficit.

As at March 28, 2014, the amendment to the Articles of Incorporation is still in process and subject to the approval of SEC.

18. **Cost of Services**

This account consists of:

	2012 (As restated - Note 5)	2011 (As restated - Note 5)
Salaries and wages	₱322,838,535	₱305,833,289
Materials and supplies	9,608,762	9,496,080
Retirement costs	4,801,600	3,379,400
Depreciation and amortization	1,524,457	1,359,914
Rental	62,392	48,111
Others	1,035,618	1,154,348
	₱339,871,364	₱321,271,142

In 2012, the cost of services of EGSI is included as part of the "Net income (loss) after tax from discontinued operations" in the statement of comprehensive income as EGSI was classified as a discontinued operations (see Note 5).

19. **General and Administrative Expenses**

This account consists of:

	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
Salaries and employee benefits (see Note 20)	**₱8,365,123**	₱5,310,236	₱2,211,312
Professional fees and outside services	**2,070,260**	2,430,253	2,408,519
Entertainment, amusement and recreation	**1,630,115**	1,305,832	1,376,768
Depreciation and amortization (see Notes 12 and 14)	**661,932**	680,823	746,420
Transportation and travel	**559,981**	524,739	413,377
Rental	**551,365**	676,678	596,430
Taxes and licenses	**533,761**	1,536,692	1,213,871
Utilities and maintenance	**457,081**	707,867	1,473,357
Meeting expenses	**61,425**	63,142	1,610,029
Donations and contributions	**–**	2,005,225	59,993
Provision for doubtful accounts (see Note 8)	**–**	–	65,000
Others	**652,249**	879,327	288,063
	₱15,543,292	₱16,120,814	₱12,463,139

20. **Retirement Plan**

The Company has an unfunded, noncontributory defined benefit retirement plan covering substantially all of its employees. The plan provides for a lump sum benefit payment upon retirement.

Changes defined benefit retirement plan are as follows:

	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
Balance at beginning of year	**₱3,778,700**	₱20,257,898	₱18,381,851
Net benefit cost in consolidated statement of comprehensive income:			
Current service cost	**347,600**	366,700	201,436
Interest cost	**156,100**	221,900	246,806
Subtotal	**503,700**	588,600	448,242

(Forward)

	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
Remeasurements in other comprehensive income	**₱2,139,900**	(₱933,500)	₱1,427,805
Benefits paid	**–**	(350,400)	–
Effect of discontinued operation (see Note 5)	**–**	(15,783,898)	–
	₱6,422,300	₱3,778,700	₱20,257,898

The Company does not expect to contribute to its defined pension plans in 2014.

The principal assumptions used to determine retirement obligations for the Company's plan are shown below:

	2013	2012	2011
Discount rate	**4.08%**	4.13%	4.96%
Rate of increase in compensation	**5.00%**	5.00%	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation (PVDBO) as at December 31, 2013, assuming if all other assumptions were held constant:

	Changes	Increase (Decrease) on PVDBO
Discount rate	+0.5	(₱106,400)
	-0.5	193,700
Future Salary Increases	+2.0	711,300
	-2.0	(490,700)

The following are other defined benefit plan information:

	2013	2012
A. Weighted Average Duration of PVDBO	**11.14 years**	9.10 years
B. Maturity Analysis of Undiscounted Retirement Benefit Payments*		
Less than one year	**₱3,910,000**	₱1,912,000
More than one year up to 5 years	**–**	–
More than 5 years up to 10 years	**3,701,900**	1,070,100
More than 10 years up to 15 years	**2,386,400**	4,556,300
More than 15 years up to 20 years	**3,504,400**	2,413,200
More than 20 years	**6,404,000**	–
C. Plan Membership Information		
Number of Active Plan Members	**7**	5
Number of Separated Vested Members	**–**	1
Number of Retired Members	**–**	–
Average Attained Age	**46.7 yrs.**	51.5 yrs.
Average Past Service	**8.2 yrs.**	10.1 yrs.
Average Future Service	**13.3 yrs.**	8.5 yrs.

**Assuming retirement at age 60; an employee who has reached age 60 as at December 31, 2013 is assumed to defer his retirement for one year from such date.*

The Company's latest actuarial valuation report is as at December 31, 2013.

21. **Other Income (Expense)** - Net

Details of other income follow:

	2013	2012	2011
Write-off of other assets	**(₱15,613,452)**	(₱1,421,031)	₱–
Reversal of liabilities	**4,093,501**	–	198,700
Reversal of impairment loss on investments and advances	–	5,139,852	–
Rental income (see Note 13)	–	2,641,369	2,515,590
Other income (expenses) - net	**(350,806)**	(50,272)	936,498
	(₱11,870,757)	₱6,309,918	₱3,650,788

Others comprises of other expenses incurred by the Group needed to continue the operation such as land expenses and other income from collection of accounts receivable that was previously written off

22. **Income Tax**

The provision for income tax consists of:

	2013	2012	2011
Current income tax:			
Final tax on interest income	**₱276,913**	₱142,278	₱125,806
MCIT	**98,016**	861	27,984
RCIT	–	621,777	537,923
Deferred income tax	–	–	(7,453,980)
	₱374,929	₱764,916	(₱6,762,267)

As at December 31, 2012, deferred tax assets pertaining to EGSI was included under "Assets classified as held-for-sale" as the latter was classified as a disposal group held for sale (see Note 5).

Certain deferred tax assets were not recognized as at December 31, 2013 and 2012 as management believes it is not probable that future taxable profits will be sufficient against which these can be utilized.

Following are the deductible temporary differences and carryforward benefits of the excess of MCIT over RCIT and NOLCO for which no deferred tax assets were recognized:

	2013	2012
Provision for impairment of deferred exploration costs and mining rights	**₱94,704,814**	₱41,923,757
Accumulated impairment loss on advances to subsidiaries	**60,808,331**	177,277,705
NOLCO	**35,462,630**	37,041,179
Accrued retirement costs	**6,422,300**	3,778,700
Excess of MCIT over RCIT	**126,861**	81,748
Others	**714**	1,813
	₱197,525,650	₱260,104,902
Unrecognized deferred tax assets	**₱59,346,498**	₱78,088,694

The carryforward benefits of NOLCO that may be used by the Company as additional deductions from future taxable income are as follows:

Date Incurred	Expiry Date	Amount
December 31, 2011	December 31, 2014	₱14,928,270
December 31, 2012	December 31, 2015	14,489,729
December 31, 2013	December 31, 2016	6,044,631
		₱35,462,630

MCIT, which may be applied against RCIT liability of the Company, are as follows:

Date Incurred	Expiry Date	Amount
December 31, 2011	December 31, 2014	₱27,984
December 31, 2012	December 31, 2015	861
December 31, 2013	December 31, 2016	98,016
		₱126,861

Expired NOLCO and MCIT amounted to ₱7.6 million and ₱0.1 million respectively, in 2013, ₱7.1 million and ₱0.1 million respectively, in 2012 and ₱50.8 million and nil respectively, in 2011.

The deferred tax liability shown in the 2011 consolidated statements of financial position relates to the tax effect of the fair value of investment properties.

The reconciliation of provision for (benefit from) income tax computed at the statutory income tax rate to provision for income tax shown in the statements of comprehensive income follows:

	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
Provision for (benefit from) income tax at statutory income tax rate	**(₱19,085,480)**	₱1,782,600	₱1,601,637
Increase (decrease) in income tax resulting from:			
Nondeductible expenses	**23,263,478**	2,866,125	735,161
Change in unrecognized deferred tax assets	**(19,384,167)**	3,598,358	(5,226,885)
Expired NOLCO and MCIT	**7,676,083**	2,210,286	15,225,318
Loss on sale of investment	**5,276,550**	–	–

(Forward)

	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
Gain on sale of AFS and investments	**₱2,766,862**	(₱1,794,620)	(₱11,560,229)
Interest income subjected to final tax	**(138,397)**	(109,579)	(65,642)
Fair value gain on investment properties	**–**	(7,584,262)	(13,986)
Dividend income exempt from income tax	**–**	(203,992)	(3,661)
Reversal of final tax on fair value of investment properties	**–**	–	(7,453,980)
Effective income tax	**₱374,929**	₱764,916	(₱6,762,267)

23. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, key management personnel, including directors and officers of the Company and close members of the family of any such individual and; (d) affiliate, which is a party that, directly or indirectly through one or more intermediaries, control, is controlled by, or is under common control with the Company. Transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions.

Related party transactions pertain to the availment of noninterest-bearing advances from a stockholder and other related parties. The details of advances from related parties are as follows:

Category	Year	Amount/ Volume of Transactions	Advances to (Advances from)	Terms	Conditions
Stockholder					
Belle					
Advances	**2013**	**₱–**	**(₱79,406,947)**	On demand;	Unsecured
	2012	–	(79,406,947)	Noninterest-bearing	
	2011	–	(79,406,947)		
Affiliate of APC Properties					
Broad Field Properties Limited					
Advances	**2013**	**–**	**–**	On demand;	Unsecured
	2012	–	–	Noninterest-bearing	
	2011	–	(53,198,769)		
Associate					
Airstream Broadband					
Advances	**2013**	**–**	**–**	On demand;	Unsecured
	2012	–	(12,078,998)	Noninterest-bearing	
	2011	5,295	(12,078,998)		
Receivables	**2013**	**–**	**–**	On demand;	Unsecured
	2012	–	–	Noninterest-bearing	
	2011	–	118,260		
APC Distribution					
Advances	**2013**	**–**	**–**	On demand;	Unsecured
	2012	–	–	Noninterest-bearing	
	2011	–	(11,920,871)		

(Forward)

Category	Year	Amount/ Volume of Transactions	Advances to (Advances from)	Terms	Conditions
Receivables	**2013**	**₱–**	**₱–**	On demand;	Unsecured
	2012	–	–	Noninterest-bearing	
	2011	–	7,280		
PRC-Magma Energy Resources, Inc					
Advances	**2013**	**–**	**–**	On demand;	No impairment;
	2012	–	–	Noninterest-bearing	Unsecured
	2011	2,234,363	(2,234,363)		
Others					
Advances	**2013**	**–**	**–**	On demand;	Unsecured
	2012	–	–	Noninterest-bearing	
	2011	–	(26,358)		
Total:					
Advances from related parties	**2013**		**(₱79,406,947)**		
	2012		(91,485,945)		
	2011		(158,866,306)		
Advances to related parties	2011		125,540		

Compensation and benefits of key management personnel of the Company for the year ended December 31 consists of the following:

	2013	2012	2011
Salaries and short-term employee benefits	**₱4,808,046**	₱7,400,645	₱6,941,223
Retirement costs	**285,400**	348,000	251,000
	₱5,093,446	₱7,748,645	₱7,192,223

24. Basic/Diluted Earnings (Loss) Per Common Share

The calculation of earnings (loss) per share for the years ended December 31 follows:

	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
Income (loss) from:			
Continuing operations	**(₱55,798,072)**	₱6,840,052	₱14,494,730
Discontinued operations	**(7,380,128)**	46,988	(3,357,230)
Income (loss) attributable to equity holders of the Parent Company	**(63,178,200)**	6,887,040	11,137,500
Weighted average number of common shares	**7,511,809,997**	7,511,809,997	7,511,809,999
Treasury shares	**(7,606,000)**	(7,606,000)	(7,606,000)
Divided by weighted average common shares	**7,504,203,997**	7,504,203,997	7,504,203,999
Basic/Diluted Earnings (loss) per share			
Loss from continuing operations	**(₱0.007436)**	₱0.000911	₱0.001932
Loss from discontinued operations	**(₱0.000983)**	₱0.000006	(₱0.000447)

There were no dilutive potential common shares for purposes of calculation of earnings (loss) per share in 2013, 2012 and 2011.

25. **Financial Risk Management Objectives and Policies**

The Company's principal financial instruments comprise advances from related parties and loans payable. The main purpose of these financial liabilities is to finance the Company's operations. The Company has cash and cash equivalents, trade and other receivables, deposits and trade and other payables that arise directly from its operations. The Company also holds AFS financial assets.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk, liquidity risk and equity price risk. The BOD and management review and approve policies of managing each of the risks and they are summarized below.

<u>Interest Rate Risk</u>
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is minimal since the Company's borrowing is short-term in nature and interest rate is fixed.

The Company has no outstanding loans as at December 31, 2013 and 2012.

<u>Credit Risk</u>
Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss.

Exposure to credit risk is monitored on an ongoing basis, credit checks are performed on all clients requesting credit over certain amounts. Credit granted is subject to regular review, to ensure it remains consistent with the customers' current credit worthiness and appropriate to the anticipated volume of business.The investment of the Company's cash resources is managed so as to minimize risk while seeking to enhance yield. The Company's holding of cash and cash equivalents exposes the Company to credit risk, if the counterparty is unwilling or unable to fulfill its obligations and the Company consequently suffers financial loss. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating. The credit terms are short, with deposits and advance payments requirement before rendering the service, thus, mitigating the possibility of non-collection. In cases of non-collection, defaults of debtors are not tolerated and additional penalties are imposed by the Company.

There are no significant concentrations of credit risk within the Company. Since the Company trades only with recognized third parties, there is no requirement for collateral. The carrying values of the Company's financial assets represent the maximum exposure to credit risk as at the reporting date.

The aging analyses of financial assets that are past due but not impaired as at December 31 are as follows:

	2013					
	Neither Past Due nor Impaired	Past Due but not Impaired				
		1-60 Days	>60 Days	Total	Impaired	Total
Cash and cash equivalents*	**₱73,744,007**	**₱–**	**₱–**	**₱73,744,007**	**₱–**	**₱73,744,007**
Trade and other receivables:						
Trade	–	–	**893,999**	**893,999**	–	**893,999**
Advances to officers and employees	**634,524**	–	–	**634,524**	–	**634,524**
Receivable from sale of investments	**9,223,172**	–	–	**9,223,172**	–	**9,223,172**
Others	**594,987**	–	–	**594,987**	–	**594,987**
AFS financial assets	**28,270,021**	–	–	**28,270,021**	–	**28,270,021**
Deposits	**19,217**	–	–	**19,217**	–	**19,217**
	₱112,485,928	**₱–**	**₱893,999**	**₱113,379,927**	**₱–**	**₱113,379,927**

	2012					
	Neither Past Due nor Impaired	Past Due but not Impaired				
		1-60 Days	>60 Days	Total	Impaired	Total
Cash and cash equivalents*	₱44,611,063	₱–	₱–	₱44,611,063	₱–	₱44,611,063
Trade and other receivables:						
Trade	–	–	16,950	16,950	–	16,950
Advances to officers and employees	453,917	–	–	453,917	–	453,917
Receivable from sale of investments	24,708,995	–	–	24,708,995	–	24,708,995
Others	128,363	–	–	128,363	–	128,363
AFS financial assets	32,279,621	–	–	32,279,621	–	32,279,621
Deposits**	19,217	–	–	19,217	–	19,217
	₱102,201,176	₱–	₱16,950	₱102,218,126	₱–	₱102,218,126

**Excluding cash on hand amounting to ₱10,000 and ₱18,420 as at December 31, 2013 and 2012, respectively.*
***Included in "Other noncurrent assets" account*

The table below shows the credit quality of the Company's financial assets which are neither past due nor impaired as at December 31:

	2013			
	Neither Past Due nor Impaired			
	High Grade	**Standard Grade**	**Past Due but not Impaired**	**Total**
Cash and cash equivalents*	**₱73,744,007**	**₱–**	**₱–**	**₱73,744,007**
Trade and other receivables:				
Trade	**–**	**–**	**893,999**	**893,999**
Advances to officers and employees	**–**	**634,524**	**–**	**634,524**
Receivable from sale of investments	**9,223,172**	**–**	**–**	**9,223,172**
Others	**594,987**	**–**	**–**	**594,987**
AFS financial assets	**–**	**28,270,021**	**–**	**28,270,021**
Deposits	**–**	**19,217**	**–**	**19,217**
	₱83,562,166	**₱28,923,762**	**₱893,999**	**₱113,379,927**

	2012			
	Neither Past Due nor Impaired			
	High Grade	Standard Grade	Past Due but not Impaired	Total
Cash and cash equivalents*	₱44,611,063	₱–	₱–	₱44,611,063
Trade and other receivables:				
Trade	–	–	16,950	16,950
Advances to officers and employees	–	453,917	–	453,917
Receivable from sale of investments	24,708,995	–	–	24,708,995
Others	128,363	–	–	128,363
AFS financial assets	–	32,279,621	–	32,279,621
Deposits**	–	19,217	–	19,217
	₱69,448,421	₱32,752,755	₱16,950	₱102,218,126

**Excluding cash on hand amounting to ₱10,000 and ₱18,420 as at December 31, 2013 and 2012, respectively.*
***Included in "Other noncurrent assets" account*

The credit rating of the Company's financial assets are categorized based on the Company's collection experience with the counterparties.

a. High Grade - this includes deposits or placements to counterparties with good credit rating or bank standing. For trade and other receivables, settlements are obtained from counterparty following the terms of the contracts without much collection effort.

b. Standard Grade - this includes deposits or placements to counterparties that are not classified as "high grade." For trade and other receivables, some reminder follow-ups are performed to obtain settlement from the counterparty.

c. Sub-standard Grade - for trade and other receivables, constant reminder follow-ups are performed to collect accounts from counterparty.

Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments. The Company's objective is to maintain continuity of funding. The Company's policy is to maximize the use of suppliers' credit for all its major purchases and limit major capital expenditures at a reasonable level.

The Company monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a weekly basis to arrive at the projected cash position to cover its obligations.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as at December 31.

	2013					
	On Demand	**1 - 30 Days**	**31 - 60 Days**	**60 - 365 Days**	**Over 1 Year**	**Total**
Trade and other payables*	**₱13,637,768**	**₱–**	**₱14,115,346**	**₱–**	**₱–**	**₱27,753,114**
Advances from related parties	**79,406,947**	**–**	**–**	**–**	**–**	**79,406,947**
Subscriptions payable	**–**	**–**	**–**	**–**	**75,161,959**	**75,161,959**
	₱93,044,715	**₱–**	**₱14,115,346**	**₱–**	**₱75,161,959**	**₱182,322,020**

	2012					
	On Demand	1 - 30 Days	31 - 60 Days	60 - 365 Days	Over 1 Year	Total
Trade and other payables*	₱11,370,043	₱150,444	₱1,271,585	₱–	₱–	₱12,792,072
Advances from related parties	91,485,945	–	–	–	–	91,485,945
Subscriptions payable	–	–	–	–	75,161,959	75,161,959
	₱102,855,988	₱150,444	₱1,271,585	₱–	₱75,161,959	₱179,439,976

** Excluding statutory liabilities.*

The table below shows the maturity profile of the Company's financial assets held for liquidity purposes based on contractual undiscounted cash flows as at December 31.

	2013					
	On Demand	**1- 30 Days**	**31 - 60 Days**	**60 - 365 Days**	**Over 1 Year**	**Total**
Cash and cash equivalents	**₱1,712,000**	**₱72,042,007**	**₱–**	**₱–**	**₱–**	**₱73,754,007**
Trade and other receivables:						
Trade	–	–	–	–	**893,999**	**893,999**
Advances to officers and employees	–	**634,524**	–	–	–	**634,524**
Receivable from sale of investments	**9,223,172**	–	–	–	–	**9,223,172**
Others	**594,987**	–	–	–	–	**594,987**
AFS financial assets	**28,270,021**	–	–	–	–	**28,270,021**
	₱39,800,180	**₱72,676,531**	**₱–**	**₱–**	**₱893,999**	**₱113,370,710**

	2012					
	On Demand	1- 30 Days	31 - 60 Days	60 - 365 Days	Over 1 Year	Total
Cash and cash equivalents	₱20,044,788	₱24,584,695	₱–	₱–	₱–	₱44,629,483
Trade and other receivables:						
Trade	–	–	–	–	16,950	16,950
Advances to officers and employees	–	453,917	–	–	–	453,917
Receivable from sale of investments		24,708,995	–	–	–	24,708,995
Others	128,363	–	–	–	–	128,363
AFS financial assets	32,279,621	–	–	–	–	32,279,621
	₱52,452,772	₱49,747,607	₱–	₱–	₱16,950	₱102,217,329

Equity Price Risk

The Company's investments in equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's BOD reviews and approves all equity investment decisions.

The Company's exposure to quoted securities amounted to ₱28.3 million and ₱32.3 million as at December 31, 2013 and 2012, respectively (see Note 9).

The effect on the consolidated income or equity, depending on whether or not decline is significant or prolonged (as a result of a change in fair value of quoted equity instruments held as AFS financial assets as at December 31, 2013 and 2012) due to reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Change in equity price*	Effect on income before income tax	Effect on equity
2013	**1%**	**₱210,818**	**₱147,573**
	-1%	**(210,818)**	**(147,573)**
2012	33%	11,881,653	8,317,157
	(33%)	(11,881,653)	(8,317,157)

**Based on PSE market index*

Capital Management
The main objective of the Company is to maintain a strong and healthy financial position.

Presently, the cash requirements of the Company are financed mainly from internally generated sources. Major projects will be financed by debt and/or equity funds from strategic partnerships with investors (both foreign and local) who are willing to put a stake in the projects. Through a combination of debt and equity financing, the Company should be able to maintain a strong and solid capital structure.

The capital structure of the company as at December 31, 2013 and 2012 consists of capital stock and additional paid in capital amounting to ₱6,388,012,148 and ₱1,613,942,096, respectively.

There were no changes in the objectives, policies or procedures during the years ended December 31, 2013 and 2012.

26. **Financial Assets and Liabilities**

A comparison by category of the carrying values and estimated fair values of the Company's financial instruments that are carried in the consolidated statements of financial position as at December 31, 2013 and 2012 are as follows:

Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables, and Advances from Related Parties. Due to the short-term nature of the transactions, the carrying values approximate the fair values at reporting dates.

*AFS Financial Assets.*_The fair values of quoted equity securities were determined by reference to market bid quotes as of reporting dates.

Deposits. Estimated fair value of deposits is based on the discounted value of future cash flows using the prevailing interest rates that are specific to the tenor of the instruments' cash flows as of reporting dates.

Subscriptions Payable. Due to non-availability of definite payment terms, there is no reliable source of fair value as of reporting dates.

The following tables provide the fair value measurement hierarchy of the Company's assets and liabilities as at December 31, 2013 and 2012:

		2013	
	Total	**Level 1**	**Level 2**
Assets measured at fair value:			
Investment properties (Note 13)	**₱156,986,106**	**₱–**	**₱156,986,106**
AFS financial assets	**28,270,021**	**28,270,021**	
Asset for which fair values are disclosed:			
Loans and receivables - Deposits*	**19,217**	**–**	**19,217**
Total financial assets	**₱185,275,344**	**₱28,270,021**	**₱157,005,323**

**Included in "Other noncurrent assets" account*

	2012		
	Total	Level 1	Level 2
Assets measured at fair value:			
Investment properties (Note 13)	₱156,953,000	₱–	₱156,953,000
AFS financial assets	32,279,621	32,279,621	
Asset for which fair values are disclosed:			
Loans and receivables - Deposits*	19,217	–	19,217
Total financial assets	₱189,251,838	₱32,279,621	₱156,972,217

**Included in "Other noncurrent assets" account*

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements during the period ended December 31, 2013 and 2012.

27. Note to Statements of Cash Flows

Noncash investing activity for the year ended December 31 consists of the following.

	2013	2012	2011
		In millions	
Sale on account:			
Sale of investments in subsidiary, associate and AFS financial assets	**₱9.2**	₱24.7	₱28.6
Disposal of investments in associate	**–**	14.1	–
	₱9.2	₱38.8	₱28.6

APC GROUP, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
AS AT DECEMBER 31, 2013

APC GROUP, INC. AND SUBSIDIARIES

I. SUPPLEMENTAL SCHEDULES REQUIRED BY ANNEX 68-E
AS AT DECEMBER 31, 2012

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and rates	Amount shown in the statements of financial position	Income received and accrued
Cash and cash equivalents:			
Cash in Banks	–	₱1,702,000	₱6,980
Peso Placements			
Banco De Oro	–	72,042,007	1,377,507
	–	**₱73,744,007**	**₱1,384,487**
Trade and other receivables:			
Trade	–	₱893,999	₱–
Advances to officers and employees	–	634,524	–
Receivable from sale of investments	–	9,223,172	–
Others	–	594,987	–
	–	**₱11,346,682**	**₱–**
AFS Financial Assets			
Sinophil	100,000,000	₱27,000,000	₱–
Island Power	11,850	1,185,100	–
Others	12,500	84,921	–
	100,054,350	**₱28,270,021**	**₱–**
Deposits	**–**	**₱19,217**	**₱–**

Schedule B. Amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties)
As at December 31, 2013

Account	January 1, 2013	Additions	Deductions Amount Collected	Deductions Amount Written Off	Current	Non Current	December 31, 2013
Advances to officers and employees	₱453,917	₱180,607	₱–	₱–	₱634,524	₱–	₱634,524

Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
As at December 31, 2013

APC Mining Corporation

			Deductions				
Account	January 1, 2013	Additions	Amount Collected	Amount Written Off	Current	Non Current	December 31, 2013
Advances to related parties	₱76,478,123	₱–	₱–	₱–	₱–	₱76,478,123	₱76,478,123
Receivables from related parties	518,575	1,443,985	–	–	1,962,560	–	1,962,560
Total	**₱76,996,698**	**₱1,443,985**	**₱–**	**₱–**	**₱1,962,560**	**₱76,478,123**	**₱78,440,683**

APC Cement Corporation

			Deductions				
Account	January 1, 2013	Additions	Amount Collected	Amount Written Off	Current	Non Current	December 31, 2013
Advances to related parties	₱3,771,346	₱–	₱–	₱–	₱–	₱3,771,346	₱3,771,346
Receivables from related parties	388,230	854,631	(251,319)	–	991,542	–	991,542
Total	**₱4,159,576**	**₱854,631**	**(₱251,319)**	**₱–**	**₱991,542**	**₱3,771,346**	**₱4,762,888**

Environmental and General Services, Inc.

			Deductions				
Account	January 1, 2013	Additions	Amount Collected	Sold	Current	Non Current	December 31, 2013
Advances to related parties	**₱614,655**	**₱–**	**₱–**	**₱614,655**	**₱–**	**₱–**	**₱–**

Aragorn Coal Resources, Inc.

Account	January 1, 2013	Additions	Deductions Amount Collected	 Amount Written Off	Current	Non Current	December 31, 2013
Advances to related parties	₱2,064,913	₱130,000	₱–	₱–	₱–	₱2,194,913	₱2,194,913
Receivables from related parties	267,287	692,184	–	–	811,228	–	811,228
Total	**₱2,332,200**	**₱822,184**	**₱–**	**₱–**	₱811,228	**₱2,194,913**	**₱3,006,141**

Aragorn Power and Energy Corporation

Account	January 1, 2013	Additions	Deductions Amount Collected	 Amount Written Off	Current	Non Current	December 31, 2013
Receivables from related parties	₱492,984	₱4,096,555	₱–	₱–	₱4,589,539	₱–	₱4,589,539
Advances from related parties	(1,831,624)	–	(1,831,624)	–	–	–	–
Total	**(₱1,338,640)**	**₱4,096,555**	**(₱1,831,624)**	**₱–**	**₱4,589,539**	**₱–**	₱4,589,539

Primary Data

Account	January 1, 2013	Additions	Deductions Amount Collected	 Amount Written Off	Current	Non Current	December 31, 2013
Advances from related parties	**(₱66,299,286)**	**₱–**	**₱–**	**₱66,299,286**	**₱–**	**₱–**	**₱–**

Schedule D. Intangible Asset - Other Asset

Description	Beginning balance	Additions at cost	Charge to cost and expenses	Charged to other accounts	Other charges additions (deduction)	Ending balance
Software cost	**₱55,842**	**₱–**	**(₱47,027)**	**₱–**	**₱–**	**₱8,815**

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statements of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers, and employees	Others
Common	14,000,000,000	2,513,069,059	NA	1,040,622,334	1,581,006	1,470,865,719
Preferred	6,000,000,000	–	NA	–	–	–

APC GROUP, INC.

II. SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS AS AT DECEMBER 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Accounting for Contingent Consideration in a Business Combination			✓
	Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not Early Adopted		
PFRS 8	Operating Segments	✓		
	Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	Not Early Adopted		
PFRS 9	Financial Instruments	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
	Short-term Receivables and Payables			✓
	Portfolio Exception			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistances			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Key Management Personnel	Not Early Adopted		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Not Early Adopted		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	Financial Reporting in Hyperinflationary Economies			
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies (IFRIC 21)			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
SIC-32	Intangible Assets - Web Site Costs			✓

Note: Standards and interpretations tagged as “Not applicable” are those standards which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2013.

APC GROUP, INC. AND SUBSIDIARIES
IV. MAP OF THE RELATIONSHIP OF THE COMPANY WITHIN THE GROUP