**COVER SHEET**

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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)

JACKSON T. ONGSIP

Contact Person

845-0614

Company's Telephone Number

| 1 | 2 | | 3 | 1 |
|---|---|---|---|---|

Month Day

Fiscal Year

SEC Form 17A

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

L C U

Cashier

S T A M P S

Remarks = Pls. use black ink for scanning purposes

SEC Number **ASO93-008127-A**
File Number ____

**APC GROUP, INC.**
(Company's Full Name)

**8th Floor Philcom Bldg.**
**8755 Paseo de Roxas, Makati City**
(Company's Address)

**(632) 845-0614**
(Telephone Numbers)

**SEC Form 17-A**

**FOR THE FISCAL YEAR ENDED**

**31 DECEMBER 2014**

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-A**

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

1. For the fiscal year ended: **31 December 2014**

2. SEC Identification Number: **AS093-08127**

3. BIR Tax Identification No. **002-834-075-000**

4. Exact name of registrant as specified in its charter: **APC GROUP, INC.**

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

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

7. Address of principal office: **8th Floor, Philcom Bldg., 8755 Paseo de Roxas, Makati City**

   **Postal Code 1226**

8. Registrant's telephone number: **(632) 845-0614**

9. Former name, former address, and former fiscal year: **N / A**

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

| Title of Each Class | Number of Shares Outstanding |
|---|---|
| **Common Stock, ₱1.00 par value** | **7,504,203,997** |

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 thereunder 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 of the registrant as of 31 December 2014: **₱2.72Billion**

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Contents

## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business

**Business Profile and Corporate History**

**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.

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.

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.

**Employees**

APC Group Inc. had a total of 6 employees as of December 31, 2014.

**Subsidiaries**

**Aragorn Power and Energy Corporation (APEC)**

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

*Kalinga Apayao Geothermal Service Contract*.

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 27, 2015, 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 base load power to the Luzon grid. A 100 MW geothermal project will approximately cost 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, 2014, 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 2016. 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 follow.

In September 2014, the DOE approved a one (1) year extension of the term of Geothermal Service Contract.

**PRC-MAGMA Energy Resources Inc. (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 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 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.

In 2014, out of the twelve (12) ancestral domains, consensus building was initiated for six (6) communities. PRC-Magma will pursue consensus building for the remaining ancestral domains.

*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.

As at December 31, 2014, the Company is undergoing the process of consensus building with the indigenous peoples prior to the initiation of exploration activities.

**Aragorn Coal Resources, Inc. (ACRI)**

ACRI 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 3000 hectares.

The Isabela project was put on hold because of the anti-mining sentiment of the local government units (LGU) and the community. The COC is adjacent to the coal areas of PNOC. Partial exploration works had been conducted.

In 2013 and 2015, the DOE terminated the COC in Masbate and Isabela, respectively.

**APC Mining Corporation (APCM)**

The Company has dropped all applications for exploration permits.

**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 for prospective partners.

## Item 2. Properties

**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

Except for matters taken up during the annual meeting of stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

### PART II - OPERATIONAL AND FINANCIAL INFORMATION

## Item 5. Market for Issuer's Common Equity and Related Stockholder 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 | **2014** | | **2013** | |
|---|---|---|---|---|
| | **High** | **Low** | **High** | **Low** |
| First Quarter | **.72** | **.59** | .95 | .74 |
| Second Quarter | **.82** | **.60** | .93 | .70 |
| Third Quarter | **1.05** | **.77** | .81 | .63 |
| Fourth Quarter | **.87** | **.70** | .77 | .61 |

The price information as of the close of the latest practicable trading date, 30 March 2015, is Php0.70.

(2) **Holders**

As of December 31, 2014, Registrant had 604 shareholders. On the said date, the following were the Top 20 registered shareholders of the common equity of the Company:

| | **No. of Common Shares Held** | **Percentage owned out of Total outstanding common shares** |
|---|---|---|
| Belle Corporation | 3,500,000,000 | 46.59 |
| PCD Nominee Corporation – Filipino | 1,777,456,702 | 22.66 |
| PCD Nominee Corporation-Non-Filipino | 396,329,463 | 5.28 |
| Dominion Equities, Inc. | 340,000,000 | 4.53 |
| Compact Holdings, Inc. | 281,000,000 | 3.74 |
| Eastern Sec. Dev. Corp. – Non Filipino | 230,000,000 | 3.06 |
| Integrated Holdings, Inc. | 180,000,000 | 2.40 |
| Elite Holdings, Inc. | 168,500,000 | 2.24 |
| Parallax Resources, Inc. | 165,722,334 | 2.21 |
| Equinox International Resources Corp. | 100,000,000 | 1.33 |
| Richold Investor Corporation | 100,000,000 | 1.33 |
| Gilt-Edged Properties, Inc. | 68,616,665 | 0.91 |
| Headland Holdings Corporation | 55,500,000 | 0.74 |

| | | |
|---|---|---|
| Eastern Sec. Dev. Corp. | 23,869,114 | 0.32 |
| Lim Siew Kim | 18,000,000 | 0.24 |
| Tak Chang Investments Co., Ltd. | 18,000,000 | 0.24 |
| Coscolluela, William V. | 10,000,000 | 0.13 |
| Reyes, Vicente O. ITF:Peter Paul Phil. Cor | 8,332,000 | 0.11 |
| Dharmala Sec. (Phils), Inc. | 5,050,000 | 0.07 |
| Singson, Evelyn R. ITF: Gilt-Edged Prop. | 3,933,333 | 0.05 |

** At par value of P1.00 per share*

(3) **Dividends**

(a) The ability to pay dividends depends on the availability of retained earnings. The Company has not declared any dividends on common stock since the time it was incorporated. The Company is not in a position to declare cash dividends because of its huge deficit.

(b) Dividend Policy

Dividends shall be declared only from the surplus profit and shall be payable at such time and in such manner and in such amounts as the Board of Directors shall determine. No dividends shall be declared which would impair the capital of the Corporation.

(4) **Recent Sale of Unregistered or Exempt Securities, including recent issuance of securities constituting an exempt transaction**

There was no recent sale of unregistered or exempt securities.

APC GROUP INC.

(5) **Minimum Public Ownership**

**APC GROUP, INC.**
**Computation of Public Ownership as of December 31, 2014**

| | | |
|---|---|---|
| | | **Number of Shares** |
| **Number of Issued Shares** | | 7,511,809,997 |
| Less: Number of Treasury Shares (if any) | | 7,606,000 |
| **Number of Outstanding Shares** | | **7,504,203,997** |
| **Less:** | | |
| | **% to total I/O Shares** | **Common** |
| **Directors and Officers** | | |
| ***Sub-Total*** | **0.0327%** | **2,452,706** |
| **Principal Stockholders** | | |
| ***Sub-Total*** | **46.6405%** | **3,500,000,000** |
| **Affiliates** | | |
| ***Sub-total*** | **2.2084%** | **165,722,334** |
| **TOTAL** | **48.8816%** | **3,668,175,040** |
| **Total Number Of Shares Owned by the Public** | | **3,836,028,957** |

**PUBLIC OWNERSHIP PERCENTAGE**
**Total Number of Shares Owned by the Public**
**Total Issued and Outstanding Shares**
**as of December 31, 2014**

3,836,028,957 shares = **51.1184%**
7,504,203,997 shares

| | | |
|---|---|---|
| Number of Issued Shares | = | 2,498,069,059 |
| Number of Outstanding Shares | = | 7,504,203,997 |
| Number of Treasury Shares | = | 7,606,000 |
| Number of Listed Shares | = | 2,726,641,700 |
| Total Number of Non-Public Shares | = | 3,668,175,040 |
| Number of Foreign Owned Shares | = | 662,429,463 |
| Foreign Ownership Level (%) | = | 8.83% |
| Foreign Ownership Limit (%) | = | 40% |

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

### For The Financial Year Ended 2014

#### Income Statement

Net income before income tax for the year ending December 31, 2014 amounted to P121.3 million while loss before income tax during year-end 2013 amounted to P63.6 million. The difference is primarily due to the gain on sale of available-for-sale financial assets amounting to P144.9 million.

Total Costs and Expenses including depreciation for 2014 amounted to P34.6 million. Compared to the Costs and Expenses incurred in 2013, expenses was lower in 2014 by P27.4 million mainly due to the following:

- Higher provision for impairment of deferred exploration costs and mining rights was recognized in 2013 following the discontinuance of all mining projects under APC Mining Corporation amounting to P46.8 million. For the year 2014, impairment of deferred exploration costs amounting to P16.3 million were recognized on exploration projects under Aragorn Coal Resources, Inc. and PRC-Magma Energy Resources, Inc.

- Salaries and Employee Benefits in 2014 was lower by P2.8 million or 33% compared to the year 2013 mainly due to retirement and resignation of employees.

- The decline was countered by an increase in the taxes and licenses and other incidental costs attributable to the sale of available-for-sale financial assets during the latter portion of 2014.

Net income in 2014 compared to net loss in 2013 amounted to P120.8 million and P71.4 million, respectively. Other comprehensive income amounted to P118.5 million in 2014 compared to the comprehensive loss of P77.5 million in 2013. The variance was due to the recognized net income of P120.8 million in 2014 and partially offset by the lower reduction to the unrealized mark-to-market gain on Available-for-Sale Financial Assets amounting to P2.3 million and a lower re-measurement loss on defined benefit obligation amounting to P0.1 million.

#### Balance Sheet

APC Group's consolidated assets stood at P412.1 million as of December 31, 2014 compared to P368.1 million as of end 2013.

- Consolidated cash and cash equivalents was at P157.4 million at the end of 2014, 113% higher than the P73.8 million as of end-December 2013. The increase is mainly attributable to the proceeds of sale of available-for-sale financial assets. Disbursement for general and administrative expenses (P17.2 million), payment of subscriptions payable (P75 million) and additions to deferred exploration costs (P3.1 million) offset the said increase.
- Trade and other receivables declined by 95% from P11.4 million in 2013 to P0.6 million in 2014 mainly due to the collection of receivables related to the sale of available-for-sale financial assets (P9.2 million) and liquidation of advances to officers and employees (P0.6 million).
- Total available-for-sale financial assets as of December 31, 2014 stood at P13.6 million, 52% lower compared to 2013 due to the sold financial assets in the latter part of 2014.

- Property, plant and equipment, net of accumulated depreciation, declined to P0.1 million from P0.7 million due to the annual depreciation expense and write-off of unusable assets held by subsidiaries.
- Net deferred exploration costs and mining rights declined by 17% in 2014 from the P85.2 million balance in 2013 due to the allowance for impairment on deferred exploration costs of P16.3 million, partially offset by the disbursements for the existing exploration projects.

Consolidated liabilities decreased by 39% or P74.5 million from P189.1 million as of December 31, 2013 to P114.6 million as of December 31, 2014. The decrease was mainly attributable to the payment of subscription payables amounting to P75 million and payments made to retired and resigned employees reducing accrued retirement costs by P4.6 million.

Stockholders' Equity as of December 31, 2014 and December 31, 2013 amounted to ₱297.5 million and ₱179.0 million, respectively. The 66% increase was due to ₱120.8 million net income recognized in 2014, partially offset by a P2.2 decline in unrealized mark-to-market gain.

The Company does not foresee any cash flow problems during the next twelve months. The Company has enough cash to meet cash requirements in 2015.

There were no off-balance sheet transactions.

As of December 31, 2014, 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:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the company;
- Material commitments for capital expenditure;
- Known trends, events or uncertainties that are expected to have a material impact on revenues from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations aside from those mentioned in this report;
- Seasonal aspects that had a material impact on the company's results of operations; and
- Material changes in the financial statements of the Company from the year ended December 31, 2013 to December 31, 2014.

## KEY PERFORMANCE INDICATORS

Management uses the following key performance indicators to evaluate the performance of the Company and its subsidiaries. Except for Net Income, these key performance indicators are not measurements in accordance with Philippine Financial Reporting Standards (PFRS) and should not be considered as an alternative to net income or any other measure of performance which are in accordance with PFRS.

1. **Return on Assets Ratio (ROA).** Return on Assets is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings and is calculated by dividing the Company's annual earnings by its total assets.

2. **Return on Equity Ratio (ROE).** Return on Equity measures how much profit is generated with the money shareholders have invested in the Company. It is expressed as a percentage and calculated by dividing net income by total Stockholders' Equity.

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

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

5. **Asset-to-Equity Ratio (AER).** Asset-to-Equity Ratio is computed using total assets divided by the total stockholders' equity. This ratio shows the relationship of the total assets of the firm owned by shareholders and an indicator of the leverage used to finance the Company.

The table below shows the comparative figures of the key performance indicators for the period in review.

| | YTD 31 December 2014 | YTD 31 December 2013 |
|---|---|---|
| Return on Assets Ratio...…………………………………….. | 0.29 | (0.17) |
| Return on Equity Ratio...…………………………………….. | 0.41 | (0.35) |
| Current Ratio………….…………………………………….. | 1.58 | 1.10 |
| Debt to Equity Ratio….……………………………………... | 0.39 | 1.06 |
| Asset to Equity Ratio ……………………………………….. | 1.39 | 2.06 |

*Discussion on the key performance indicators*

**Return on Assets Ratio**

The Company's consolidated Return on Assets Ratio was higher for the period ended December 2014 compared to year-end 2013 as the Company posted a net income of P120.8 million mostly coming from the gain on sale of available-for-sale financial assets.

**Return on Equity Ratio**

Return on Equity Ratio increased to 0.41x due to the net income recorded in 2014 compared to the year-end of 2013 when it posted a net loss of P63.2 million.

**Current Ratio**

Current Ratio improved by 1.58x year-on-year due to the increase in cash and cash equivalents from the proceeds of sale of available-for-sale financial assets during 2014.

**Debt to Equity Ratio**

Debt to Equity Ratio decreased to 0.39x as of end-December this year as total liabilities declined mostly due to the payment of subscription payables amounting to P75 million during the third quarter of 2014.

**Assets to Equity Ratio**

Assets to Equity Ratio decreased to 1.39x due to the increase in Stockholders' Equity as the Company recorded net income of ₱120.8 million for the period ending December 31, 2014.

## For The Financial Year Ended 2013

### 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 P2.0 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 income 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.

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:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the company;
- Material commitments for capital expenditure;
- Known trends, events or uncertainties that are expected to have a material impact on revenues from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations aside from those mentioned in this report;
- Seasonal aspects that had a material impact on the company's results of operations; and
- Material changes in the financial statements of the Company from the year ended December 31, 2012 to December 31, 2013.

**KEY PERFORMANCE INDICATORS**

Management uses the following key performance indicators to evaluate the performance of the Company and its subsidiaries. Except for Net Income, these key performance indicators are not measurements in accordance with Philippine Financial Reporting Standards (PFRS) and should not be considered as an alternative to net income or any other measure of performance which are in accordance with PFRS.

1. **Return on Assets Ratio (ROA).** Return on Assets is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings and is calculated by dividing the Company's annual earnings by its total assets.

2. **Return on Equity Ratio (ROE).** Return on Equity measures how much profit is generated with the money shareholders have invested in the Company. It is expressed as a percentage and calculated by dividing net income by total Stockholders' Equity.

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

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

5. **Asset-to-Equity Ratio (AER).** Asset-to-Equity Ratio is computed using total assets divided by the total stockholders' equity. This ratio shows the relationship of the total assets of the firm owned by shareholders and an indicator of the leverage used to finance the Company.

The table below shows the comparative figures of the key performance indicators for the period in review.

| | YTD 31 December 2013 | YTD 31 December 2012 |
|---|---|---|
| Return on Assets Ratio...…………………………………….. | (0.17) | 0.01 |
| Return on Equity Ratio...…………………………………….. | (0.35) | 0.03 |
| Current Ratio……….…………………………………….. | 1.10 | 1.25 |
| Debt to Equity Ratio….…………………………………... | 1.06 | 1.02 |
| Asset to Equity Ratio ……………………………………….. | 2.06 | 2.02 |

*<u>Discussion on the key performance indicators</u>*

**Return on Assets Ratio**

The Company posted a negative Return on Assets as of December 31, 2013 as it recognized a net loss of P63.2 million compared to the positive ROA in 2012 of 0.01x.

**Return on Equity Ratio**

Likewise, Return on Equity Ratio was -0.35x for 2013 due to the net loss incurred for the year compared to the prior year ROE of 0.03x.

**Current Ratio**

Current Ratio declined by 12% year-on-year mostly due to the disposal of a subsidiary held of sale and classified as a discontinued operation, which resulted to the removal of net current assets amounting to P41.6 million.

**Debt to Equity Ratio**

Debt to Equity Ratio slightly increased to 1.06x as of end-December 2013 as the Company's total equity declined by P77.5 million mostly due to the net loss recorded during the year. This was tapered by the decline in total debt due to the removal of liabilities directly associated with assets held-for-sale.

**Assets to Equity Ratio**

Assets to Equity Ratio increased to 2.06x due to the decline in total equity as the Company recorded net loss of P63.2 million for the period ending December 31, 2013 compared to the P6.9 million net profit recorded in 2012.

## Item 7. Financial Statements

The audited Financial Statements and Supplementary Schedules for the year 2014 are filed as part of this Form 17A.

**APC GROUP AND SUBSIDIARIES**

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

**Consolidated Financial Statements**

| | |
|---|---|
| Statement of Management's Responsibility for Financial Statements | Report |
| Report of Independent Auditors | |
| Consolidated Statement of Financial Position as of December 31, 2014 and 2013 | CSFP |
| Consolidated Statements Comprehensive Income for the years ended December 31, 2014, 2013 and 2012 | CSCI |
| Consolidated Statements of Changes in Equity for the years ended December 31, 2014, 2013 and 2012 | CSCE |
| Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012 | CCFS |
| Notes to Consolidated Financial Statements | |

**Supplementary Schedules**

Report of Independent Auditors on Supplementary Schedules

| | |
|---|---|
| A. Financial Assets | Attached |
| B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates) | Attached |
| C. Amount Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements | Attached |
| D. Intangible Assets and Other Assets | Attached |
| E. Long-term Debt | Not Applicable |
| F. Indebtedness to Related Parties (Long-term Loans from Related Companies) | Not Applicable |
| G. Guarantees of Securities of Other Issuers | Not Applicable |
| H. Capital Stock | Attached |

## Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

**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 September 22, 2014.

In 2014, Christine G. Vallejo was assigned as SGV's partner-in-charge for the company. Her appointment shall not exceed five (5) years in compliance with SEC Rule 68.

The Audit Committee* is composed of the following:

| | |
|---|---|
| Tomas Santos | Chairman |
| Virginia A. Yap | Member |
| Bernardo D. Lim | Member |

**elected during the organizational meeting in September 22, 2014*

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.

**<u>External Audit Fees and Services</u>**

1. Audit fees for the audit of the Company's annual financial statements amounted to P560,000 for 2014 and P545,000 for 2013.
2. a. No other assurance and related services were rendered in 2014 and 2013.
   b. No tax services were rendered by the external auditor in 2014 and 2013.
   c. There were no other fees paid to the external auditor in 2014 and 2013.
   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:

a. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations.
b. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from Management of information on risk exposures and risk management activities.
c. Perform oversight functions over the Company's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.
d. Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources, and budget necessary to implement it;
e. Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
f. Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
g. Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security, to ensure the integrity of the financial reports and protection of assets of the Company for the benefit of all shareholders and other stakeholders.
h. Review the reports submitted by the internal and external auditors.

i. Review the quarterly, half-year, and annual financial statements before their submission to the Board, with particular focus on the following matters:

i. Any change/s in accounting policies and practices
ii. Major judgmental areas
iii. Significant adjustments resulting from the audit
iv. Going concern assumptions
v. Compliance with accounting standards
vi. Compliance with tax, legal, and regulatory requirements.

j. Coordinate, monitor and facilitate compliance with laws, rules and regulations;

k. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report;

l. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

## PART III - CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers of the Issuer

All incumbent directors, elected on September 22, 2014 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 | 58 | Chairman | Filipino |
| Frederic C. DyBuncio | 55 | President/Director | Filipino |
| Edmundo L. Tan | 69 | Director / Corporate Secretary | Filipino |
| Bernardo D. Lim | 67 | Director | Filipino |
| Virginia A. Yap | 64 | Director | Filipino |
| Tomas D. Santos | 63 | Director-independent | Filipino |
| Laurito E. Serrano | 55 | Director-independent | Filipino |
| Jackson T. Ongsip | 41 | EVP-CFO | 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:

**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., Premium Leisure Corp., 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 and Director**

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, Premium Leisure Corp.,, 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.

**Edmundo L. Tan**
**Corporate Secretary and Director**

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 Premium Leisure Corp., (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 & Pison Law 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 Villarin Ongkiko Academia & Durian Law Offices.

**Bernardo D. Lim**
**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 as the Chief Finance Officer of APC Group on March 31, 2014.

**Virginia A. Yap**
**Director**

**Ms. Virginia A. Yap**, Filipino, is also a director of Belle Corporation and Premium Leisure Corp. 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.

**Tomas D. Santos**
**Independent Director**

Mr. Santos, a Filipino, is also 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.

**Laurito E. Serrano**
**Independent Director**

**Mr. Laurito E. Serrano** is a Certified Public Accountant with a Master 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.

**Jackson T. Ongsip**
**Chief Financial Officer**

**Mr. Jackson T. Ongsip** replaced Mr. Bernardo D. Lim as the Chief Financial Officer (CFO) of APC Group, Inc. last March 2014. He is a Certified Public Accountant and concurrently holds the position of CFO in Premium Leisure Corp. and Premium Leisure and Amusement Inc. He has over 21 years of work experience with Sycip Gorres Velayo & Co. and Globe Telecom, Inc. before he transferred to SM Investments Corporation.

**<u>Family Relationships</u>**

None

**<u>Involvement in Certain Legal Proceedings</u>**

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:

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.
Any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding.
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,
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

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

The aggregate compensation paid or incurred during the last two fiscal years and estimated to be paid in the ensuing fiscal year to the President, Chief Executive Officer, and Chief Finance Officer of the Company are as follows:

| Name and Principal Position | Year | Salary | Other Variable Pay |
|---|---|---|---|
| Bernardo D. Lim[1]* (CFO) | | | |
| Frederic C. DyBuncio[1] (CEO &President) | | | |
| Jackson T. Ongsip[1] (CFO) | | | |
| CEO & Most Highly Compensated Executive Officers | Actual 2013 | 2,232,000 | 216,000 |
| | Actual 2014 | 1,962,000 | 220,483 |
| | Estimated 2015 | 1,637,000 | 176,000 |
| All Other officers as a group unnamed | Actual 2013 | 0 | 0 |
| | Actual 2014 | 0 | 0 |
| | Estimated 2015 | 0 | 0 |

*[1]CEO and Most Highly Compensated Executive Officers*
** 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

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

## Item 11. Security Ownership of Certain Beneficial Owners and Management

The following persons or group are directly or indirectly the record or beneficial owners of more than 5% of the Company's voting shares (common) as of December 31, 2014:

| Title of Class | Name and address of record owner and relationship with issuer | Name of beneficial owner and relationship with record holder | Citizenship | No. of shares held | Percent of class |
|---|---|---|---|---|---|
| Common | Belle Corporation<br>28th F, East Tower<br>PSE Centre, Ortigas<br>Pasig City (**Parent)** | **(Note 1)** | Filipino | 3,500,000,000 | 46.59% |
| Common | PCD Nominee Corp<br>G/F Makati Stock<br>Exchange, Ayala Ave.<br>Makati City **(Stockholder)** | **(Note 2)** | Filipino | 1,777,456,702 | 23.66% |
| Common | PCD Nominee Corp<br>G/F Makati Stock<br>Exchange, Ayala Ave.<br>Makati City **(Stockholder)** | **(Note 2)** | Non-Filipino | 396,329,463 | 5.28% |

*Notes:*

1.) *Belle Corporation is a publicly-listed corporation. Mr. Willy N. Ocier will vote for the shares of Belle Corporation.*

2.) *PCD Nominee Corporation is a wholly-owned subsidiary of Philippine Central Depository, Inc. The beneficial owners of such shares registered under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares. Instead, the participants have the power to decide how the PCD shares in APC Group are to be voted. No PCD participant who holds shares in their own behalf or in behalf of clients owns more than 5% of the Corporation's voting shares.*

### (1) Security Ownership of Management

**The following table shows the shareholdings of the following directors and officers as of December 31, 2014.**

| 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 | 310,001 | Filipino | 0- |
| -do- | Frederic C. DyBuncio | 1 | Filipino | 0- |
| -do- | Bernardo D. Lim | 1,000 | Filipino | 0- |
| -do- | Edmundo L. Tan | 1 | Filipino | 0- |
| -do- | Tomas D. Santos | 1 | Filipino | 0- |
| -do- | Virginia A. Yap | 10,001 | Filipino | 0- |
| -do- | Laurito E. Serrano | 1 | Filipino | 0- |
| -do- | Jackson T. Ongsip | 0 | Filipino | 0- |
| | **Total** | **321,006** | | |

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 Relationships and Related 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. 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** | | | | | |
| (1) Advances | **2014** | **₱–** | **(₱79,406,947)** | On demand; Noninterest-bearing | Unsecured |
| | 2013 | – | (79,406,947) | | |
| (2) Share in expenses | **2014** | **(232,014)** | **(232,014)** | On demand; Noninterest-bearing | Unsecured |
| *Total* | | | | | |
| Advances from related parties | **2014** | | **(₱79,629,961)** | | |
| | 2013 | | (79,406,947) | | |

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

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Salaries and short-term employee benefits | **₱3,958,046** | ₱4,808,046 | ₱7,400,645 |
| Retirement costs | **216,000** | 285,400 | 348,000 |
| | **₱4,174,046** | ₱5,093,446 | ₱7,748,645 |

## PART IV – CORPORATE GOVERNANCE

## Item 13. Corporate Governance

Please refer to attached Annual Corporate Governance Report.

## PART V - EXHIBITS AND SCHEDULES

### Item 14. Exhibits and Reports on SEC Form 17-C

**(a) Exhibits -** Please see accompanying Index to Exhibits in the following pages

**(b) Reports on SEC Form 17-C** - The Company regularly files various reports on SEC Form 17-C relative to various company disclosures. Of these, the more significant ones are as follows:

| Date | Title |
|---|---|
| February 3, 2014 | Advisement letter on attendance of directors to board meeting in 2013 |
| March 28, 2014 | Appointment of Mr. Jackson Ongsip as EVP/CFO |
| May 5, 2014 | Postponement of the Company's Annual Stockholders' Meeting |
| May 26, 2014 | Compliance to SEC Memorandum Circular No. 20 Series of 2013 – Certificates of Attendance |
| June 3, 2014 | Postponement of the Company's Annual Stockholders' Meeting |
| July 3, 2014 | Postponement of the Company's Annual Stockholders' Meeting |
| July 23, 2014 | Postponement of the Company's Annual Stockholders' Meeting |
| Sept. 18, 2014 | Board of Director's approval on the sale of Available-for-Sale assets |
| Sept. 22, 2014 | Results of the Annual Stockholders' Meeting held September 22, 2014 |

APC GROUP INC.

## 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 March 31, 2015.

By:

1. ______________________ Date: 31 March 2015

**Willy N. Ocier**
**Chairman of the Board**

2. ______________________ Date: 31 March 2015

**Frederic C. DyBuncio**
**President**

3. ______________________ Date: 31 March 2015

**Jackson T. Ongsip**
**Chief Financial Officer**

MAKATI CITY APR 10 2015
**SUBSCRIBED AND SWORN** to before me this ___ day of _____ 2015, affiants who are personally known to me or identified through competent evidence of identity, to wit:

| Name | Passport or ID No. | Date of Issue | Place of Issue |
|---|---|---|---|
| Willy N. Ocier | EB6130282 | August 14, 2012 | Manila |
| Frederic C. DyBuncio | EC0634893 | March 22, 2014 | Manila |
| Jackson T. Ongsip | N03-90-097042 | July 21, 2014 | Manila |

ATTY. GERVACIO B. ORTIZ, JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2016
PTR NO. 4748512/01-05-2015/MAKATI
IBP NO. 654155 LIFETIME MEMBER
APPT. NO. M-38/2016/ROLL NO. 40061
MCLE 0011225 JAN. 7, 2013

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2015

APC GROUP INC.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of APC Group, Inc. and Subsidiaries ("APC Group") is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014 and 2013, 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 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 APC Group in accordance with the 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.

**WILLY N. OCIER**
Chairman of the Board

**FREDERIC C. DYBUNCIO**
President and Chief Executive Officer

**JACKSON T. ONGSIP**
Executive Vice President and Chief Finance Officer

March 27, 2015

SUBSCRIBED AND SWORN to before me this APR 10 2015 at MAKATI CITY City, affiants who are personally known to me or identified through competent evidence of identity, to wit:

| Name | Passport or ID No. | Date of Issue | Place of Issue |
|---|---|---|---|
| Willy N. Ocier | EB6130282 | August 14, 2012 | Manila |
| Frederic C. DyBuncio | EC0634893 | March 22, 2014 | Manila |
| Jackson T. Ongsip | N03-90-097042 | July 21, 2014 | Manila |

8th Floor, PhilCom Building
8755 Paseo de Roxas, Makati City
Metro Manila, Philippines
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SERIES OF 2015

ATTY. GERVACIO B. ORTIZ, JR
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2016
PTR NO. 4743512 / 01-05-2015 / MAKATI
IBP NO. 656155 LIFETIME MEMBER
APPT. NO. M-33/2015 / ROLL NO. 40061
MCLE 0011225 JAN. 7, 2013

# APC Group, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2014 and 2013
and Years Ended December 31, 2014, 2013 and 2012

and

Independent Auditors' Report

SGV

Building a better working world

A member firm of Ernst & Young Global Limited

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

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

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

**INDEPENDENT AUDITORS' REPORT**

The Stockholders and the Board of Directors
APC Group, Inc.

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, 2014 and 2013, 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, 2014, 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, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 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
BIR Accreditation No. 08-001988-105-2014,
March 10, 2014, valid until March 9, 2017
PTR No. 4751336, January 5, 2015, Makati City

March 27, 2015

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

| | December 31 | |
|---|---|---|
| | **2014** | 2013 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Notes 7, 22 and 23) | **₱157,411,732** | ₱73,754,007 |
| Trade and other receivables (Notes 8, 22 and 23) | **619,406** | 11,346,682 |
| Available-for-sale financial assets (Notes 9, 22 and 23) | **13,629,591** | 84,921 |
| Other current assets (Note 10) | **6,307,661** | 5,805,854 |
| Total Current Assets | **177,968,390** | 90,991,464 |
| **Noncurrent Assets** | | |
| Available-for-sale financial assets (Notes 9, 22 and 23) | **–** | 28,185,100 |
| Property and equipment (Note 11) | **114,436** | 678,112 |
| Investment properties (Notes 12 and 23) | **156,986,106** | 156,986,106 |
| Goodwill and other noncurrent assets (Notes 13, 22 and 23) | **77,071,321** | 91,229,241 |
| Total Noncurrent Assets | **234,171,863** | 277,078,559 |
| | **₱412,140,253** | ₱368,070,023 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Trade and other payables (Notes 14, 22 and 23) | **₱32,801,044** | ₱28,008,877 |
| Advances from related parties (Notes 20, 22 and 23) | **79,629,961** | 79,406,947 |
| Income tax payable | **251,642** | 98,016 |
| Total Current Liabilities | **112,682,647** | 107,513,840 |
| **Noncurrent Liabilities** | | |
| Subscriptions payable (Notes 9, 22 and 23) | **161,959** | 75,161,959 |
| Accrued retirement costs (Note 17) | **1,790,500** | 6,422,300 |
| Total Noncurrent Liabilities | **1,952,459** | 81,584,259 |
| Total Liabilities | **114,635,106** | 189,098,099 |
| **Equity Attributable to Equity Holders of the Parent Company** | | |
| Capital stock (Notes 15 and 22) | **6,388,072,148** | 6,388,012,148 |
| Additional paid-in capital (Notes 15 and 22) | **1,613,942,096** | 1,613,942,096 |
| Unrealized mark-to-market gain on available-for-sale financial assets (Note 9) | **12,781,590** | 15,000,000 |
| Remeasurement loss on defined benefit obligation (Note 17) | **(2,725,405)** | (2,634,205) |
| Gain on dilution | **226,304** | 226,304 |
| Deficit | **(7,676,711,115)** | (7,799,599,734) |
| Treasury shares - 7,606,000 shares (Notes 15 and 21) | **(29,435,220)** | (29,435,220) |
| Total Equity Attributable to Equity Holders of the Parent Company | **306,150,398** | 185,511,389 |
| **Non-controlling Interests** | **(8,645,251)** | (6,539,465) |
| Total Equity | **297,505,147** | 178,971,924 |
| | **₱412,140,253** | ₱368,070,023 |

*See accompanying Notes to Consolidated Financial Statements.*

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

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2014** | 2013 | 2012 |
| **CONTINUING OPERATIONS** | | | |
| **Income (Expenses)** | | | |
| Provision for impairment of deferred exploration costs and mining rights (Note 13) | **(₱16,270,018)** | (₱46,788,151) | (₱17,132,891) |
| General and administrative expenses (Note 16) | **(17,608,577)** | (15,543,292) | (16,120,814) |
| Gain on sale of investments in a subsidiary and available-for-sale financial assets - net (Notes 4 and 9) | **144,924,050** | 9,223,172 | 5,921,637 |
| Write-off on available-for-sale financial assets (Note 9) | **(1,185,100)** | – | – |
| Interest income (Note 7) | **960,530** | 1,384,487 | 1,085,670 |
| Foreign exchange gain (loss) - net | **160** | 2,127 | (2,106) |
| Interest expense | **–** | (25,851) | (62,041) |
| Fair value gain on investment property | **–** | – | 25,280,872 |
| Dividend income | **–** | – | 679,973 |
| Equity in net losses of associates | **–** | – | (18,218) |
| Other income (expense) - net (Note 18) | **10,444,352** | (11,870,757) | 6,309,918 |
| **Income (Loss) before Income Tax from Continuing Operations** | **121,265,397** | (63,618,265) | 5,942,000 |
| **Provision for Income Tax** (Note 19) | **482,564** | 374,929 | 764,916 |
| **Net Income (Loss) from Continuing Operations** | **120,782,833** | (63,993,194) | 5,177,084 |
| **Net Income (Loss) after Tax from Discontinued Operations** (Note 5) | **–** | (7,380,128) | 46,988 |
| **NET INCOME (LOSS)** | **120,782,833** | (71,373,322) | 5,224,072 |
| **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) | **122,152,320** | (4,000,000) | (2,000,600) |
| Realized gain on available-for-sale financial assets (Note 9) | **(124,370,730)** | (300) | (196,139) |
| | **(2,218,410)** | (4,000,300) | (2,196,739) |
| Items not to be reclassified to profit or loss in subsequent periods - | | | |
| Remeasurement gain (loss) on defined benefit obligation (Note 17) | **(91,200)** | (2,139,900) | 933,500 |
| | **(2,309,610)** | (6,140,200) | (1,263,239) |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | **₱118,473,223** | (₱77,513,522) | ₱3,960,833 |

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2014** | 2013 | 2012 |
| **Net Income (Loss) Attributable to:** | | | |
| Equity holders of the Parent Company (Note 21) | | | |
| Income (loss) from continuing operations | **₱122,888,619** | (₱55,798,072) | ₱6,840,052 |
| Income (loss) from discontinued operations | **–** | (7,380,128) | 46,988 |
| | **122,888,619** | (63,178,200) | 6,887,040 |
| Non-controlling interests | **(2,105,786)** | (8,195,122) | (1,662,968) |
| | **₱120,782,833** | (₱71,373,322) | ₱5,224,072 |
| **Total Comprehensive Income (Loss) Attributable to:** | | | |
| Equity holders of the Parent Company | **₱120,579,009** | (₱69,318,400) | ₱5,623,801 |
| Non-controlling interests | **(2,105,786)** | (8,195,122) | (1,662,968) |
| | **₱118,473,223** | (₱77,513,522) | ₱3,960,833 |
| **Basic/Diluted Earnings (Loss) Per Common Share for Continuing Operations** (Note 21) | **₱0.016376** | (₱0.007436) | ₱0.000911 |
| **Basic/Diluted Earnings (Loss) Per Common Share for Discontinued Operations** (Note 21) | **₱–** | (₱0.000983) | ₱0.000006 |

*See accompanying Notes to Consolidated Financial Statements.*

# APC GROUP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

| | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock (Notes 15 and 22) | Additional Paid-in Capital (Notes 15 and 22) | Unrealized Mark-to-Market Gain (Loss) on Available-for-Sale Financial Assets (Note 9) | Remeasurement Gain (Loss) on Defined Benefit Obligation (Note 17) | Gain on Dilution | Deficit | Treasury Shares (Notes 15 and 21) | Total | Non-controlling Interests | Total |
| Balances at January 1, 2014 | ₱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 |
| Net income during the year | – | – | – | – | – | 122,888,619 | – | 122,888,619 | (2,105,786) | 120,782,833 |
| Other comprehensive loss | – | – | (2,218,410) | (91,200) | – | – | – | (2,309,610) | – | (2,309,610) |
| Total comprehensive income | – | – | (2,218,410) | (91,200) | – | 122,888,619 | – | 120,579,009 | (2,105,786) | 118,473,223 |
| Movements in other equity accounts: | | | | | | | | | | |
| Collection of subscription receivable | 60,000 | – | – | – | – | – | – | 60,000 | – | 60,000 |
| Balances at December 31, 2014 | ₱6,388,072,148 | ₱1,613,942,096 | ₱12,781,590 | (₱2,725,405) | ₱226,304 | (₱7,676,711,115) | (₱29,435,220) | ₱306,150,398 | (8,645,251) | ₱297,505,147 |
| 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 loss 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 loss | – | – | (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 | ₱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 income (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 | ₱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 |

*See accompanying Notes to Consolidated Financial Statements.*

## APC GROUP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2014** | 2013 | 2012 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income (loss) before income tax: | | | |
| Continuing operations | **₱121,265,397** | (₱63,618,265) | ₱5,942,000 |
| Discontinued operations | **–** | (7,380,128) | 274,274 |
| | **₱121,265,397** | (70,998,393) | 6,216,274 |
| Adjustments for: | | | |
| Gain on sale of investments in a subsidiary and available-for-sale financial assets (Notes 4 and 9) | **(144,924,050)** | (1,843,344) | (5,921,637) |
| Provision for impairment of deferred exploration costs and mining rights (Note 13) | **16,270,018** | 46,788,151 | 17,132,891 |
| Loss on write off of property and equipment | **144,017** | – | – |
| Interest income (Note 7) | **(960,530)** | (1,384,487) | (1,085,670) |
| Depreciation and amortization (Note 16) | **463,296** | 661,932 | 680,823 |
| Retirement costs (Note 17) | **635,200** | 503,700 | 588,600 |
| Loss on write-off of available-for-sale financial asset (Note 9) | **1,185,100** | – | – |
| Interest expense | **–** | 25,851 | 62,041 |
| Fair value gain on investment property | **–** | – | (25,280,872) |
| Dividend income | **–** | – | (679,973) |
| Equity in net losses of associates | **–** | – | 18,218 |
| Operating loss before working capital changes | **(5,921,552)** | (26,246,590) | (8,269,305) |
| Decrease (increase) in: | | | |
| Trade and other receivables | **10,727,276** | 23,195,674 | 118,144,269 |
| Other current assets | **(501,807)** | 1,840,597 | (2,954,124) |
| Increase in trade and other payables | **4,792,167** | 2,326,521 | 8,220,663 |
| Cash generated from operations | **9,096,084** | 1,116,202 | 115,141,503 |
| Interest received | **960,530** | 1,384,487 | 1,074,356 |
| Income taxes paid | **(328,938)** | (277,774) | (244,761) |
| Benefits paid (Note 17) | **(5,358,200)** | – | (350,400) |
| Dividend received | **–** | – | 679,973 |
| Net cash provided by operating activities | **4,369,476** | 2,222,915 | 116,300,671 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of: | | | |
| Available-for-sale financial assets (Notes 9 and 23) | **156,160,970** | 9,232,772 | 269,558 |
| Investments in subsidiary (Note 4) | **–** | 25,000,000 | 17,600,498 |
| Payment of subscriptions payable (Note 9) | **(75,000,000)** | – | – |
| Acquisitions of: | | | |
| Property and equipment (Note 11) | **(34,822)** | – | (160,188) |
| Investment properties (Note 12) | **–** | (33,106) | (3,063,559) |
| Increase in other noncurrent assets | **(2,120,913)** | (7,272,206) | (48,678,968) |
| Net cash provided by (used in) investing activities | **79,005,235** | 26,927,460 | (34,032,659) |

(Forward)

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2014** | 2013 | 2012 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from collection of subscription receivable | **₱60,000** | ₱– | ₱22,500 |
| Increase (decrease) in: | | | |
| Advances from related parties | **223,014** | – | (53,577,939) |
| Other noncurrent liabilities | **–** | – | (779,342) |
| Interest paid | **–** | (25,851) | (62,041) |
| Net cash provided by (used in) financing activities | **283,014** | (25,851) | (54,396,822) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **83,657,725** | 29,124,524 | 27,871,190 |
| **NET CASH FLOWS FROM DISCONTINUED OPERATIONS** (Note 5) | – | – | (2,870,341) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **73,754,007** | 44,629,483 | 19,628,634 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 7) | **₱157,411,732** | ₱73,754,007 | ₱44,629,483 |

*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 27, 2015.

   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, 2014, 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, 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 (RE) Act of 2008. As at March 27, 2015, 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 RE Act of 2008, a foreign company can own majority interest in an renewable energy 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 RE Act of 2008.

In 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 2016. 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 follow.

In September 2014, 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 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. The COC is adjacent to the coal areas of PNOC. Partial exploration works had been conducted.

In 2013, the DOE terminated the COC in Isabela.

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 Corporation (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 Department of Energy and Natural Resources (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. As at December 31, 2014, management is currently seeking prospective partners.

e. PRC-Magma Energy Resources, Inc. (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 Kalinga Apayao Geothermal Resource, Inc. and Apayao 888 on the other hand were revoked resulting to the increase to 85.0% ownership in PRC-Magma.

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 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.

As of March 27, 2015, out of the twelve (12) ancestral domains, consensus building was initiated for six (6) communities. PRC-Magma will pursue consensus building for the remaining ancestral domains.

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.

As at December 31, 2014, the Company is undergoing the process of consensus building with the indigenous peoples prior to the initiation of exploration activities.

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

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

## 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 available-for-sale (AFS) financial assets and investment properties which are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent 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. PFRS includes standards named PFRS, Philippine Accounting Standards (PAS) and Philippine interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council (FRSC).

Basis of Consolidation

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

| | | Percentage of Effective Ownership | | |
|---|---|---|---|---|
| Subsidiaries | Nature of Business | **2014** | 2013 | 2012 |
| APC Cement [1] | Manufacturing | **100.0** | 100.0 | 100.00 |
| Aragorn Coal [1] | Mining | **100.0** | 100.0 | 100.00 |
| APEC [1] | Energy | **90.0** | 90.0 | 90.00 |
| PRC - Magma [2] | Energy | **85.0** | 85.0 | 85.00 |
| APC Mining [1] | Mining | **83.0** | 83.0 | 83.00 |
| EGSI | General services | **–** | – | 100.00 |
| Primary Data Net, Inc. (Primary Data) [3] | Holding company | **–** | – | 100.00 |

*(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 Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2014. The nature and impact of each new standards and amendments are described below:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*). These amendments 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. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Company, since none of the entities within the Company qualifies to be an investment entity under PFRS 10.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments), clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no impact on the Company, since none of the entities in the Company has any offsetting arrangements.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments), remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments), provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact as the Company has not novated its derivatives during the current or prior periods.

- Philippine Interpretation IFRIC 21, *Levies* (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. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Company as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

*Annual Improvements to PFRS (2010-2012 cycle)*

- In the 2010 – 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Company.

*Annual Improvements to PFRS (2011-2013 cycle)*

- In the 2011 – 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards–First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Company as it is not a first time PFRS adopter.

Future Changes in Accounting Policies

The Company did not early adopt the following standards and interpretations that have been approved but are not yet effective. The Company will adopt these standards and interpretations on their effective dates.

- PFRS 9, *Financial Instruments –* Classification and Measurement (2010 version), reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. 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, 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 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 into PFRS 9, including the embedded derivative 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.

  PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the FRSC. Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments), requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Company, since the Company does not have a defined benefit plan with contributions from employees or third parties.

*Annual Improvements to PFRS (2010–2012 cycle)*
The annual improvements are effective on or after January 1, 2015:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*, is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  This amendment does not apply to the Company as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a 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 PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). 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 Assets* (Amendments), are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets – Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*, is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment has no impact on the Company's financial position or performance.

- PAS 24, *Related Party Disclosures – Key Management Personnel*, is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

*Annual Improvements to PFRS (2011–2013 cycle)*
The annual improvements (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Company.

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*, is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
    - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
    - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- PFRS 13, *Fair Value Measurement – Portfolio Exception*, is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PFRS 9.
- PAS 40, *Investment Property*, is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

*Future Standards Effective January 1, 2016*

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments), clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants* (Amendments), change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require the produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or

after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company as the Company does not have any bearer plants.

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments), will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Company's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments), require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

- PFRS 14, *Regulatory Deferral Accounts*, is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

*Annual Improvements to PFRS (2012-2014 cycle)*
The annual improvements (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Company. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal* (Amendments), is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts,* requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements* (Amendments), is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits – Regional Market Issue Regarding Discount Rate.* This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting – Disclosure Of Information 'Elsewhere In The Interim Financial Report*, is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

*Future Standards Effective January 1, 2018*

- PFRS 9, *Financial Instruments – Hedge Accounting* and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of 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 derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets but will have no impact on the classification and measurement of the Company's financial liabilities. The Company is currently assessing the impact of adopting this standard.

- PFRS 9, *Financial Instruments* (2014 or final version). In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The Company is currently assessing the impact of adopting this standard.

*New Standard Issued by the IASB not yet Adopted by the FRSC*

- IFRS 15 *Revenue from Contracts with Customers*, was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

<u>Determination of Fair Value</u>
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 consolidated 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 consolidated 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.

The policies and procedures for both recurring fair value measurement, such as investment properties.

External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is decided upon annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. At each reporting date, the movements in the value of assets and liabilities which are required to be re-measured or re-assessed as per accounting policies are analyzed. For the analysis, the major inputs applied in the latest valuation are verified by agreeing the information in the valuation computation to contracts and other relevant documents.

In conjunction with the external valuers, the changes in the fair value of each asset and liability are compared with relevant external sources to determine whether the change is reasonable. This includes a discussion of the major assumptions used in the valuations. For the purpose of fair value disclosures, classes of assets and liabilities are determined on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

*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.

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>

*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.

*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 classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such classification at each financial year-end.

The Company has no financial assets and liabilities at FVPL and HTM investments as at December 31, 2014 and 2013.

*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 account 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 account receivables and deposits (included in "Goodwill and other noncurrent assets" account) as at December 31, 2014 and 2013 (see Note 22).

*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.

Classified as AFS financial assets are the Company's investments in equity instruments as at December 31, 2014 and 2013 (see Notes 9 and 22).

*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 trade and other payables, advances from related parties and subscriptions payable (see Note 22).

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.* In the case of equity investments, 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, 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.

Classification of Financial Instruments between Debt and Equity
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.

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.

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 equipment’s 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 "Goodwill and 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 "Goodwill and 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.

Goodwill

*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 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.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that an asset (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.

Capital Stock and Additional Paid-in Capital
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.

Treasury Shares
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.

Deficit
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.

Revenue
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.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding interest on defined benefit obligation and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income in the period in which they occur. Remeasurements 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 Company recognizes restructuring-related costs.

Interest is calculated by applying the discount rate to the net defined benefit liability. The Company recognizes the following changes in the net defined benefit obligation under "general and administrative expenses" in consolidated statement of comprehensive income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Interest expense on defined benefit obligation.

*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" or "Trade and other payables" accounts in the consolidated statements of financial position.

Foreign Currency-Denominated Transactions

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.

Provisions

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 in the notes to consolidated financial statements 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. Significant 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 2014 and 2013 and ₱0.7 million in 2012 (see Note 16).

*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 period longer than six months for quoted equity securities.

AFS financial assets amounting to ₱1.2 million, which was deemed to be unrecoverable was written off in 2014. No impairment loss was recognized in 2013 and 2012. AFS financial assets amounted to ₱13.6 million and ₱28.3 million as at December 31, 2014 and 2013, 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 ₱13.6 million and ₱0.1 million as at December 31, 2014 and 2013, respectively (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.

No provisions were recognized in 2014, 2013 and 2012. Trade and other receivables amounted to ₱0.6 million and ₱11.3 million as at December 31, 2014 and 2013, 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 2014 and 2013. The carrying values of property and equipment amounted to ₱0.1 million and ₱0.7 million as at December 31, 2014 and 2013, respectively (see Note 11).

*Fair Value of Investment Property.* The Company engaged an independent valuation specialist to determine the fair value of investment property in 2013. 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.

In 2014, the Company did not obtain an updated appraisal valuation report as management believes that there were no significant fair value changes from previous years. No changes in fair value of investment properties were recognized in 2014 and 2013.

Fair value gain on investment properties amounted to nil in 2014 and 2013, and ₱25.3 million in 2012. Total fair value of investment properties amounted to ₱157.0 million as at December 31, 2014 and 2013 (see Note 12).

*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 2014, 2013 and 2012. The carrying amount of goodwill amounted to ₱6.0 million as at December 31, 2014 and 2013 (see Note 13).

*Impairment of Nonfinancial Assets.* Property and equipment and mining rights, except land, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or CGUs is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's CGU's fair value less cost to sell and 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, in which case the asset is tested as part of a large CGU. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value-in-use is the present value, using a pre-tax discount rate, of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment losses are recognized in the consolidated statement of comprehensive income. Recovery of impairment losses recognized in prior periods is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of comprehensive income. However, the increased carrying amount of an asset due to recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depletion, depreciation and amortization) had no impairment loss been recognized for that asset in prior periods.

*Deferred Exploration Costs.* An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined.

Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

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

| | **2014** | 2013 |
|---|---|---|
| Property and equipment (see Note 11) | **₱114,436** | ₱678,112 |
| Other noncurrent assets* (see Note 13) | **71,059,197** | 85,217,117 |

**Excluding deposits and goodwill*

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 ₱16.3 million, ₱46.8 million and ₱17.1 million in 2014, 2013 and 2012, respectively (see Note 13).

*Realizability 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, 2014 and 2013. Unrecognized deferred tax assets amounted to ₱61.4 million and ₱59.3 million as at December 31, 2014 and 2013, respectively (see Note 19).

*Fair Value of Assets and Liabilities.* Certain 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 assets and liabilities are disclosed in Note 23.

*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 ₱0.6 million, ₱0.5 million and ₱0.6 million in 2014, 2013 and 2012, respectively (see Note 17). Accrued retirement costs amounted to ₱1.8 million and ₱6.4 million as at December 31, 2014 and 2013, respectively (see Note 17).

*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 2014, 2013 and 2012.

## 4. 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 for 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 a subsidiary 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. Also, retained earnings of APC Properties, Inc. amounting to 5.3 million were deconsolidated in 2012.

## 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 and 2012 are as follows:

| | 2013 | 2012 |
|---|---|---|
| Service fees | ₱– | ₱368,950,897 |
| Cost of services | – | (339,871,364) |
| Gross income | – | 29,079,533 |
| General and administrative | – | (28,392,456) |
| Interest income | – | 10,118 |
| Interest expense | – | (545,163) |
| Other income - net | – | 122,242 |
| | – | (28,805,259) |
| Loss on sale of investments | (7,380,128) | – |
| Income (loss) before income tax | (7,380,128) | 274,274 |
| Provision for income tax: | | |
| Current | – | 804,706 |
| Deferred | – | (577,420) |
| | – | 227,286 |
| Net income (loss) from discontinued operations | (₱7,380,128) | ₱46,988 |
| Basic/diluted profit (loss) per share from discontinued operations (Note 21) | (₱0.000983) | ₱0.000006 |

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 | 65,591,441 |
| Other current assets | 37,088,533 |
| Property and equipment | 3,942,306 |
| Deferred tax assets | 9,860,009 |
| Other noncurrent assets | 1,002,494 |
| Assets classified as held-for-sale | 119,648,365 |
| Liabilities: | |
| Loans payable | 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 |
|---|---|---|
| Net cash used in: | | |
| Operating activities | ₱– | ₱4,952,556 |
| Investing activities | 25,000,000 | (4,025,661) |
| Financing activities | – | (3,797,236) |
| Net increase (decrease) in cash | ₱25,000,000 | (₱2,870,341) |

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. These segments are regularly reviewed by the Management Committee to make decisions about how resources are to be allocated to each of the segments and to assess their performances, and for which discrete financial information is available.

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 (see 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, 2014** | | | | | | | |
| Segment expenses | (₱1,523,176) | (₱16,085,401) | (₱17,608,577) | ₱– | (₱17,608,577) | ₱– | (₱17,608,577) |
| Interest income | 46,530 | 914,000 | 960,530 | – | 960,530 | – | 960,530 |
| Provision for impairment of deferred exploration costs and mining rights | (16,270,018) | – | (16,270,018) | – | (16,270,018) | – | (16,270,018) |
| Gain on sale of investments in subsidiary and AFS financial assets – net | – | 144,924,050 | 144,924,050 | – | 144,924,050 | – | 144,924,050 |
| Loss on write off on AFS | – | (1,185,100) | (1,185,100) | – | (1,185,100) | – | (1,185,100) |
| Foreign exchange gain on investment property | – | 160 | 160 | – | 160 | – | 160 |
| Other income | – | 10,444,352 | 10,444,352 | – | 10,444,352 | – | 10,444,352 |
| Provision for income tax | (9,825) | (472,739) | (482,564) | – | (482,564) | – | (482,564) |
| Net income (loss) | (₱17,756,489) | ₱138,539,322 | ₱120,782,833 | ₱– | ₱120,782,833 | ₱– | ₱120,782,833 |
| | | | | | | | |
| **As at December 31, 2014** | | | | | | | |
| Other information: | | | | | | | |
| Segment assets | ₱96,360,181 | ₱544,339,449 | ₱640,699,630 | (₱228,559,377) | ₱412,140,253 | – | ₱412,140,253 |
| Segment liabilities | 115,697,303 | 132,157,575 | 247,854,878 | (133,219,772) | 114,635,106 | – | 114,635,106 |
| Depreciation and amortization | 413,971 | 49,325 | 463,296 | – | 463,296 | – | 463,296 |

| | 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) | (₱11,133,446) | (₱13,283,555) | (₱2,259,737) | (₱15,543,292) | – | (15,543,292) |
| 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 AFS financial assets - net | – | 71,389,068 | 71,389,068 | (62,165,896) | 9,223,172 | (7,380,128) | 1,843,044 |
| Foreign exchange gain on investment property | – | 2,127 | 2,127 | – | 2,127 | – | 2,127 |
| 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 |

| | 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 AFS 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 |

## 7. Cash and Cash Equivalents

This account consists of:

| | **2014** | 2013 |
|---|---|---|
| Cash on hand and in banks | **₱6,299,487** | ₱1,712,000 |
| Short-term investments | **151,112,245** | 72,042,007 |
| | **₱157,411,732** | ₱73,754,007 |

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 ₱1.0 million, ₱1.4 million and ₱1.1 million in 2014, 2013 and 2012, respectively.

## 8. Trade and Other Receivables

This account consists of:

| | **2014** | 2013 |
|---|---|---|
| Trade | **₱71,749** | ₱893,999 |
| Advances to officers and employees | **43,177** | 634,524 |
| Receivable from sale of AFS financial assets (see Note 9) | – | 9,223,172 |
| Others | **504,480** | 594,987 |
| | **₱619,406** | ₱11,346,682 |

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

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

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

Receivable from sale of investments pertains to sale of AFS financial assets to third party.

Other receivables consist of advances to contractors and suppliers.

## 9. Available-for-Sale Financial Assets

This account consists of:

| | **2014** | 2013 |
|---|---|---|
| Premium Leisure Corp. (formerly "Sinophil Corporation") | **₱13,544,670** | ₱27,000,000 |
| Others | **84,921** | 1,270,021 |
| | **13,629,591** | 28,270,021 |
| Noncurrent portion | **–** | 28,185,100 |
| Current portion | **₱13,629,591** | ₱84,921 |

AFS financial assets 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 recognized in the 2012 consolidated statement of comprehensive income.

In 2013, the Company sold investments in equity securities with a total acquisition cost of ₱9.2 million and for the same amounts of consideration. These were fully impaired, thus the amount of consideration was recorded as "Gain on sale of investments in a subsidiary and available-for-sale financial assets – net" in the 2013 consolidated statement of comprehensive income. In 2014, the Company sold investments in equity securities with a total acquisition cost of ₱11.3 million for a gross consideration of ₱156.2 million resulting to a gain of ₱144.9 million.

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

| | **2014** | 2013 |
|---|---|---|
| Balance at beginning of year | **₱28,270,021** | ₱32,270,021 |
| Fair value changes | **122,152,320** | (4,000,000) |
| Disposals | **(135,607,650)** | – |
| Write off | **(1,185,100)** | – |
| Balance at end of year | **₱13,629,591** | ₱28,270,021 |

In 2014, AFS financial asset amounting to ₱1.2 million was written off.

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:

| | **2014** | 2013 |
|---|---|---|
| Balance at beginning of year | **₱15,000,000** | ₱19,000,300 |
| Unrealized mark-to-market gain (loss) | **122,152,320** | (4,000,000) |
| Realized mark-to-market gain | **(124,370,730)** | (300) |
| Balance at end of year | **₱12,781,590** | ₱15,000,000 |

As at December 31, 2014 and 2013, subscriptions payable related to the AFS financial assets amounted to ₱0.2 million and ₱75.2 million.

## 10. Other Current Assets

This account consists of:

| | **2014** | 2013 |
|---|---|---|
| Input VAT | **₱6,305,876** | ₱5,804,069 |
| Prepayments and others | **1,785** | 1,785 |
| | **₱6,307,661** | ₱5,805,854 |

## 11. Property and Equipment

This account consists of:

| | **2014** | | | | |
|---|---|---|---|---|---|
| | **Land** | **Mining Equipment** | **Office and Other Equipment** | **Leasehold Improvements** | **Total** |
| **Cost** | | | | | |
| Balance at beginning of year | **₱64,000** | **₱596,866** | **₱5,323,407** | **₱3,344,949** | **₱9,329,222** |
| Additions | **–** | **–** | **34,822** | **–** | **34,822** |
| Disposals/Write-offs | **(64,000)** | **(596,866)** | **(3,736,052)** | **(11,973)** | **(4,408,891)** |
| Balance at end of year | **–** | **–** | **1,622,177** | **3,332,976** | **4,955,153** |
| **Accumulated Depreciation and Amortization** | | | | | |
| Balance at beginning of year | **–** | **159,436** | **5,269,045** | **3,222,629** | **8,651,110** |
| Depreciation and amortization (see Note 16) | | **369,386** | **51,433** | **33,662** | **454,481** |
| Disposals/Write-offs | **–** | **(528,822)** | **(3,736,052)** | **–** | **(4,264,874)** |
| Balance at end of year | **–** | **–** | **1,584,426** | **3,256,291** | **4,840,717** |
| **Net Book Value** | **₱–** | **₱–** | **₱37,751** | **₱76,685** | **₱114,436** |

| | 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 |

The costs of fully depreciated assets still in use amounted to ₱1.1 million as at December 31, 2014 and 2013. There were no idle assets as at December 31, 2014 and 2013.

## 12. Investment Properties

The movement of this account follows:

| | **2014** | 2013 |
|---|---|---|
| Balance at beginning of year | **₱156,986,106** | ₱156,953,000 |
| Additions | **–** | 33,106 |
| Balance at end of year | **₱156,986,106** | ₱156,986,106 |

Investment properties consist of parcels of land which are being held by the Company for capital appreciation.

The fair value of the investment property is determined based on the valuation performed by Asian Appraisal Company, Inc., 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.

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 property has been provided in Note 23.

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

<u>Highest and Best Use</u>
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.

In 2014, management did not obtain an updated appraisal valuation report as management believes that there were no significant fair value changes from that determined in previous years. No changes in fair value of investment properties were recognized in 2014 and 2013.

## 13. Goodwill and Other Noncurrent Assets

This account consists of:

| | **2014** | 2013 |
|---|---|---|
| Goodwill | **₱5,992,907** | ₱5,992,907 |
| Deferred exploration costs – net | **71,059,197** | 85,208,302 |
| Mining rights – net | – | – |
| Software (net of accumulated amortization amounting to ₱235,130 and ₱226,315 as at December 31, 2014 and 2013, respectively) | – | 8,815 |
| Deposits (see Note 22) | **19,217** | 19,217 |
| | **71,078,414** | 85,236,334 |
| | **₱77,071,321** | ₱91,229,241 |

Goodwill pertains to excess of acquisition cost over fair value of net assets acquired related to the acquisition of PRC-Magma. No impairment loss on goodwill was recognized in 2014, 2013 and 2012.

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

| | **2014** | |
|---|---|---|
| | **Deferred Exploration Costs** | **Mining Rights** |
| Cost: | | |
| Balance at beginning of year | **₱131,658,208** | **₱48,254,908** |
| Additions | **2,120,913** | **–** |
| Balance at end of year | **133,779,121** | **48,254,908** |
| Allowance for impairment: | | |
| Balance at beginning of year | **46,449,906** | **48,254,908** |
| Provision during the year | **16,270,018** | – |
| Balance at end of year | **62,719,924** | **48,254,908** |
| Net book value | **₱71,059,197** | **₱–** |

| | 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 | ₱– |

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 Mineral Production and Sharing Agreement 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 2014, 2013 and 2012, 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 amounting to ₱17.1 million for the mining rights of Palawan, Surigao and Davao mining areas.

In 2013, the Company recognized full valuation allowance amounting to ₱76.7 million 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.

In 2014, the Company recognized additional impairment of deferred exploration costs under Aragorn Coal and PRC-Magma for its coal and geothermal projects, respectively.

## 14. Trade and Other Payables

This account consists of:

| | **2014** | 2013 |
|---|---|---|
| Trade | **₱2,349,667** | ₱1,931,237 |
| Accrued expenses: | | |
| Documentary stamp tax | **8,735,254** | 8,868,438 |
| Professional fees | **788,972** | 1,274,887 |
| Others | **3,341,817** | 2,267,985 |
| Payable to third party | **17,558,351** | 13,225,048 |
| Payable to government agencies | **26,983** | 255,763 |
| Others | **–** | 185,519 |
| | **₱32,801,044** | ₱28,008,877 |

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.

## 15. Equity

a. Details of authorized and issued capital stock as at December 31, 2014 and 2013 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 |

| | **2014** | 2013 |
|---|---|---|
| Issued - Common shares | **₱2,498,129,059** | ₱2,498,069,059 |
| Subscribed - Common shares (net of subscriptions receivable amounting to ₱1,123,737,849 and ₱1,123,797,849 as at December 31, 2014 and 2013, respectively) | **3,889,943,089** | 3,889,943,089 |
| | **₱6,388,072,148** | ₱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 27, 2015, the Parent Company's BOD has not authorized any issuance of preferred shares.

c. In 2007, APC and Belle Corporation (Belle) agreed that the advances of APC from Belle amounting to ₱3,675 million will be offset against subscriptions receivable from Belle representing 3,500 million shares subscribed at ₱1.40 a share and the excess over par will be recognized as additional paid in capital (APIC). As at December 31, 2014 and 2013, the related advances amounting ₱2,625 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.

   In February 2015, APC and Belle finalized the agreement and the related advances and subscription receivable have been settled. Consequently, the corresponding shares have been issued.

d. The following summarizes the information on the Parent'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 604 and 616 as at December 31, 2014 and 2013, 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 27, 2015, the amendment to the Articles of Incorporation is still in process and subject to the approval of SEC.

## 16. General and Administrative Expenses

This account consists of:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Salaries and employee benefits | **₱5,621,645** | ₱8,365,123 | ₱5,310,236 |
| Professional fees and outside services | **3,595,377** | 2,070,260 | 2,430,253 |
| Placement fees | **1,980,368** | – | – |
| Taxes and licenses | **1,924,581** | 533,761 | 1,536,692 |
| Entertainment, amusement and recreation | **1,096,675** | 1,630,115 | 1,305,832 |
| Utilities and maintenance | **660,537** | 457,081 | 707,867 |
| Rental | **610,360** | 551,365 | 676,678 |
| Transportation and travel | **561,556** | 559,981 | 524,739 |
| Depreciation and amortization (see Notes 11 and 13) | **463,296** | 661,932 | 680,823 |
| Meeting expenses | **74,097** | 61,425 | 63,142 |
| Donations and contributions | **–** | – | 2,005,225 |
| Others | **1,020,085** | 652,249 | 879,327 |
| | **₱17,608,577** | ₱15,543,292 | 16,120,814 |

## 17. 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 in accrued retirement costs are as follows:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Balance at beginning of year | **₱6,422,300** | ₱3,778,700 | ₱20,257,898 |
| Net benefit: | | | |
| Current service cost | **373,200** | 347,600 | 366,700 |
| Interest cost | **262,000** | 156,100 | 221,900 |
| Subtotal | **635,200** | 503,700 | 588,600 |
| Remeasurements loss (gain) in other comprehensive income | **91,200** | 2,139,900 | (933,500) |
| Benefits paid | **(5,358,200)** | – | (350,400) |
| Effect of discontinued operation | **–** | – | (15,783,898) |
| | **₱1,790,500** | ₱6,422,300 | ₱3,778,700 |

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

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Discount rate | **5.31%** | 4.08% | 4.13% |
| Future salary increase rate | **5.00%** | 5.00% | 5.00% |

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

| | Changes | 2014 Increase (Decrease) on PVDBO | 2013 Increase (Decrease) on PVDBO |
|---|---|---|---|
| Discount rate | +0.5 | (₱105,000) | (₱106,400) |
| | -0.5 | 113,300 | 193,700 |
| Future salary increase rate | +2.0 | 501,800 | 711,300 |
| | -2.0 | (384,400) | (490,700) |

The following are other defined benefit plan information:

| | **2014** | 2013 |
|---|---|---|
| A. Weighted Average Duration of PVDBO | **18.38 years** | 11.14 years |
| B. Maturity Analysis of Undiscounted Retirement Benefit Payments* | | |
| Less than one year | **₱–** | ₱3,910,000 |
| More than one year up to 5 years | **–** | – |
| More than 5 years up to 10 years | **3,363,000** | 3,701,900 |
| More than 10 years up to 15 years | **–** | 2,386,400 |
| More than 15 years up to 20 years | **8,096,600** | 3,504,400 |
| More than 20 years | **11,561,300** | 6,404,000 |
| C. Plan Membership Information | | |
| Number of Active Plan Members | **6** | 7 |
| Number of Separated Vested Members | **1** | – |
| Number of Retired Members | **1** | – |
| Average Attained Age | **40.9 years** | 46.7 yrs. |
| Average Past Service | **5.8 years** | 8.2 yrs. |
| Average Future Service | **19.1 years** | 13.3 yrs. |

**Assuming retirement at age 60; an employee who has reached age 60 as at December 31, 2014 is assumed to defer his retirement for one year from such date.*

The Company's latest actuarial valuation report is at December 31, 2014.

## 18. .**Other Income (Expense)** - Net

Details of other income follow:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Income from compromise agreement with COMSAT | **₱12,570,123** | ₱– | ₱– |
| Write-off of other assets | **–** | (15,613,452) | (1,421,031) |
| Reversal of liabilities | **–** | 4,093,501 | – |
| Reversal of impairment loss on investments and advances | **–** | – | 5,139,852 |
| Rental income (see Note 12) | **–** | – | 2,641,369 |
| Other expenses - net | **(2,125,771)** | (350,806) | (50,272) |
| | **₱10,444,352** | (₱11,870,757) | ₱6,309,918 |

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

## 19. **Income Tax**

The provision for income tax consists of:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Current income tax: | | | |
| Final tax on interest income | **₱230,922** | ₱276,913 | ₱142,278 |
| MCIT | **251,642** | 98,016 | 861 |
| RCIT | **–** | – | 621,777 |
| | **₱482,564** | ₱374,929 | ₱764,916 |

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:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Provision for impairment of deferred exploration costs and mining rights | **₱110,974,832** | ₱94,704,814 | ₱41,923,757 |
| Accumulated impairment loss on advances to subsidiaries | **61,993,431** | 60,808,331 | 177,277,705 |
| NOLCO | **28,856,109** | 35,462,630 | 37,041,179 |
| Accrued retirement costs | **1,790,500** | 6,422,300 | 3,778,700 |
| Excess of MCIT over RCIT | **350,519** | 126,861 | 81,748 |
| Others | **714** | 714 | 1,813 |
| | **₱203,966,105** | ₱197,525,650 | ₱260,104,902 |
| | | | |
| Unrecognized deferred tax assets | **₱61,435,195** | ₱59,346,498 | ₱78,088,694 |

Deferred tax assets were not recognized as at December 31, 2014 and 2013 as management believes it is not probable that future taxable profits will be sufficient against which these can be utilized.

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, 2012 | December 31, 2015 | ₱14,489,729 |
| December 31, 2013 | December 31, 2016 | 6,044,631 |
| December 31, 2014 | December 31, 2017 | 8,321,749 |
| | | ₱28,856,109 |

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

| Date Incurred | Expiry Date | Amount |
|---|---|---|
| December 31, 2012 | December 31, 2015 | ₱861 |
| December 31, 2013 | December 31, 2016 | 98,016 |
| December 31, 2014 | December 31, 2017 | 251,642 |
| | | ₱350,519 |

Expired NOLCO and MCIT amounted to ₱14.9 million and ₱0.03 million, respectively, in 2014, and ₱7.6 million and ₱0.1 million, respectively, in 2013.

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:

| | **2014** | 2013 | 2012 (As restated - Note 2) |
|---|---|---|---|
| Provision for (benefit from) income tax at statutory income tax rate | **₱36,379,620** | (₱19,085,480) | ₱1,782,600 |
| Increase (decrease) in income tax resulting from: | | | |
| Gain on sale of AFS and investments | **(43,477,215)** | (2,766,862) | (1,794,620) |
| Nondeductible expenses | **1,042,702** | 28,797,202 | 2,866,125 |
| Change in unrecognized deferred tax assets | **6,595,162** | (11,708,084) | 5,808,644 |
| Loss on sale of investment | **–** | 5,276,550 | – |
| Interest income subjected to final tax | **(57,705)** | (138,397) | (109,579) |
| Fair value gain on investment properties | **–** | – | (7,584,262) |
| Dividend income exempt from income tax | **–** | – | (203,992) |
| Effective income tax | **₱482,564** | ₱374,929 | ₱764,916 |

## 20. **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 normally settled in cash.

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 from | Terms | Conditions |
|---|---|---|---|---|---|
| ***Stockholder*** | | | | | |
| **Belle** | | | | | |
| (1) Advances | **2014** | **₱–** | **(₱79,406,947)** | On demand; Noninterest-bearing | Unsecured |
| | 2013 | – | (79,406,947) | | |
| (2) Share in expenses | **2014** | **(223,014)** | **(223,014)** | On demand; Noninterest-bearing | Unsecured |
| ***Total*** | | | | | |
| Advances from related parties | **2014** | | **(₱79,629,961)** | | |
| | 2013 | | (79,406,947) | | |

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

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Salaries and short-term employee benefits | **₱3,958,046** | ₱4,808,046 | ₱7,400,645 |
| Retirement costs | **216,000** | 285,400 | 348,000 |
| | **₱4,174,046** | ₱5,093,446 | ₱7,748,645 |

## 21. Basic/Diluted Earnings (Loss) Per Common Share

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

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Income (loss) from: | | | |
| Continuing operations | **₱122,888,619** | (₱55,798,072) | ₱6,840,052 |
| Discontinued operations | **–** | (7,380,128) | 46,988 |
| Income (loss) attributable to equity holders of the Parent Company | **122,888,619** | (63,178,200) | 6,887,040 |
| Weighted average number of common shares | **7,511,809,997** | 7,511,809,997 | 7,511,809,997 |
| 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 | 7,504,203,997 |
| Basic/Diluted Earnings (loss) per share: | | | |
| From continuing operations | **₱0.016376** | (₱0.007436) | ₱0.000911 |
| From discontinued operations | **₱–** | (₱0.000983) | ₱0.000006 |

There were no dilutive potential common shares for purposes of calculation of earnings (loss) per share in 2014, 2013 and 2012.

## 22. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise advances from related parties. 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 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.

Credit Risk

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:

| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Neither Past Due nor Impaired | Past Due but not Impaired | | | | |
| | | 1-60 Days | >60 Days | Total | Impaired | Total |
| Cash and cash equivalents* | **₱157,409,958** | **₱–** | **₱–** | **₱157,409,958** | **₱–** | **₱157,409,958** |
| Trade and other receivables: | | | | | | |
| Trade | **–** | **–** | **71,749** | **71,749** | **–** | **71,749** |
| Advances to officers and employees | **123,144** | **–** | **–** | **123,144** | **–** | **123,144** |
| Others | **424,513** | **–** | **–** | **424,513** | **–** | **424,513** |
| AFS financial assets | **13,629,591** | **–** | **–** | **13,629,591** | **–** | **13,629,591** |
| Deposits** | **19,217** | **–** | **–** | **19,217** | **–** | **19,217** |
| | **₱171,606,423** | **₱–** | **₱71,749** | **₱171,678,172** | **₱–** | **₱171,678,172** |

| | 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 |

**Excluding cash on hand amounting to ₱1,774 and ₱10,000 as at December 31, 2014 and 2013, 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:

| | **2014** | | | |
|---|---|---|---|---|
| | **Neither Past Due nor Impaired** | | | |
| | **High Grade** | **Standard Grade** | **Past Due but not Impaired** | **Total** |
| Cash and cash equivalents* | **₱157,409,958** | **₱–** | **₱–** | **₱157,409,958** |
| Trade and other receivables: | | | | |
| Trade | **–** | **–** | **71,749** | **71,749** |
| Advances to officers and employees | **–** | **123,144** | **–** | **123,144** |
| Others | **424,513** | **–** | **–** | **424,513** |
| AFS financial assets | **–** | **13,629,591** | **–** | **13,629,591** |
| Deposits** | **–** | **19,217** | **–** | **19,217** |
| | **₱157,834,471** | **₱13,771,952** | **₱71,749** | **₱171,678,172** |

| | 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 |

**Excluding cash on hand amounting to ₱1,774 and ₱10,000 as at December 31, 2014 and 2013, 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 reminde r 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.

| | **2014** | | | | | |
|---|---|---|---|---|---|---|
| | **On Demand** | **1–30 Days** | **31–60 Days** | **60–365 Days** | **Over 1 Year** | **Total** |
| Trade and other payables* | **₱15,215,710** | **₱–** | **₱17,558,351** | **₱–** | **₱–** | **₱32,774,061** |
| Advances from related parties | **79,629,961** | **–** | **–** | **–** | **–** | **79,629,961** |
| Subscriptions payable | **–** | **–** | **–** | **–** | **161,959** | **161,959** |
| | **₱94,845,671** | **₱–** | **₱17,558,351** | **₱–** | **₱161,959** | **₱112,565,981** |

| | 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 |

** 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.

| | **2014** | | | | |
|---|---|---|---|---|---|
| | **On Demand** | **1–30 Days** | **31–60 Days** | **60–365 Days** | **Total** |
| Cash and cash equivalents | **₱6,299,487** | **₱151,112,245** | **₱–** | **₱–** | **₱157,411,732** |
| Trade and other receivables: | | | | | |
| Trade | **–** | **–** | **–** | **71,749** | **71,749** |
| Advances to officers and employees | **–** | **123,144** | **–** | **–** | **123,144** |
| Others | **424,513** | **–** | **–** | **–** | **424,513** |
| AFS financial assets | **13,629,591** | **–** | **–** | **–** | **13,629,591** |
| | **₱20,353,591** | **₱151,235,389** | **₱–** | **₱71,749** | **₱171,660,729** |

| | 2013 | | | | |
|---|---|---|---|---|---|
| | On Demand | 1–30 Days | 31–60 Days | 60–365 Days | 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 |

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 ₱13.6 million and ₱28.3 million as at December 31, 2014 and 2013, 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, 2014 and 2013) 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 |
|---|---|---|---|
| **2014** | **23%** | **10,507,521** | **7,355,265** |
| | **-23%** | **(10,507,521)** | **(7,355,265)** |
| 2013 | 1% | 210,818 | 147,573 |
| | -1% | (210,818) | (147,573) |

**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, 2014 consists of capital stock and additional paid in capital amounting to ₱6,388,072,148 and ₱1,613,942,096, respectively.

There were no changes in the objectives, policies or procedures during the years ended December 31, 2014 and 2013.

## 23. 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, 2014 and 2013 are as follows:

Cash and Cash Equivalents, Trade and Other Receivables, Deposits, 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.

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, 2014 and 2013:

| | **2014** | | |
|---|---|---|---|
| | **Total** | **Level 1** | **Level 3** |
| Assets measured at fair value: | | | |
| Investment properties (Note 12) | **₱156,986,106** | **₱–** | **₱156,986,106** |
| AFS financial assets (Note 9) | **13,629,591** | **13,629,591** | **–** |
| Asset for which fair values are disclosed - | | | |
| Loans and receivables - Deposits* | **19,217** | **–** | **19,217** |
| Total financial assets | **₱170,634,914** | **₱13,629,591** | **₱157,005,323** |

**Included in "Other noncurrent assets" account*

| | 2013 | | |
|---|---|---|---|
| | Total | Level 1 | Level 3 |
| Assets measured at fair value: | | | |
| Investment properties (Note 12) | ₱156,986,106 | ₱– | ₱156,986,106 |
| AFS financial assets (Note 9) | 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*

The valuation for land was based on market approach valuation technique using price per square meter ranging from ₱90 to ₱650.

Significant increases (decreases) in price per square meter for land would result in a significantly higher (lower) fair value measurement.

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, 2014 and 2013.

## 24. **Note to Statements of Cash Flows**

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

| | 2013 | 2012 |
|---|---|---|
| | *(In Millions)* | |
| Sale on account: | | |
| Sale of investments in a subsidiary, associate and AFS financial assets | ₱9.2 | ₱24.7 |
| Disposal of investments in an associate | – | 14.1 |
| | ₱9.2 | ₱38.8 |

**APC GROUP, INC. AND SUBSIDIARIES**

**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**
**AS AT DECEMBER 31, 2014**

| | | |
|---|---|---|
| I. | Supplemental schedules required by Annex 68-E | |
| | A. Financial assets | Attached |
| | B. Amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties) | Attached |
| | C. Amounts of receivables and payable from/to related parties which are eliminated during consolidation process of financial statements | Attached |
| | D. Intangible assets - other asset | Attached |
| | E. Long-term debt | Not applicable |
| | F. Indebtedness to related parties (Long-term loans from related parties) | Not applicable |
| | G. Guarantees of securities of other issuers | Not applicable |
| | H. Capital stock | Attached |
| II. | Schedule of all the effective standards and interpretations | Attached |
| III. | Reconciliation of retained earnings available for dividend declaration | Not Applicable |
| IV. | Map of the relationships of the Company within the Group | Attached |

## APC GROUP, INC. AND SUBSIDIARIES

## I. SUPPLEMENTAL SCHEDULES REQUIRED BY ANNEX 68-E
## AS AT DECEMBER 31, 2014

### 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 | Value based on market quotation at end of reporting period | Income received and accrued |
|---|---|---|---|---|
| **Cash in Banks** | – | **₱6,299,487** | **₱–** | **₱8,281** |
| **Peso Placements** | | | | |
| Banco De Oro | **–** | **₱151,112,245** | **₱–** | **₱952,249** |
| **AFS Financial Assets** | | | | |
| Premium Leisure Corp. (formerly "Sinophil Corporation") | ₱6,359,000 | ₱13,544,670 | ₱13,544,670 | ₱– |
| Others | 12,500 | 84,921 | – | – |
| | **₱6,371,500** | **₱13,629,591** | **₱13,544,670** | **–** |
| **Deposits** | **–** | **₱19,217** | **₱–** | **₱–** |

### Schedule B. Amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties)
### As at December 31, 2014

| | | | Deductions | | | | |
|---|---|---|---|---|---|---|---|
| Account | January 1, 2014 | Additions | Amount Collected | Amount Written Off | Current | Non Current | December 31, 2014 |
| Advances to officers and employees | ₱634,524 | ₱405,168 | (₱996,515) | ₱– | ₱43,177 | ₱– | ₱43,177 |

**Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements**
**As at December 31, 2014**

*APC Mining Corporation*

| Account | January 1, 2014 | Additions | Deductions: Amount Collected | Deductions: Amount Written Off | Current | Non Current | December 31, 2014 |
|---|---|---|---|---|---|---|---|
| Advances to related parties | ₱76,478,123 | ₱– | ₱– | ₱– | ₱– | ₱76,478,123 | ₱76,478,123 |
| Receivables from related parties | 1,962,110 | 75,245 | – | – | 2,037,355 | – | 2,037,355 |
| **Total** | **₱78,440,233** | **₱75,245** | **₱–** | ₱– | **₱2,037,355** | **₱76,478,123** | **₱78,515,478** |

*APC Cement Corporation*

| Account | January 1, 2014 | Additions | Deductions: Amount Collected | Deductions: Amount Written Off | Current | Non Current | December 31, 2014 |
|---|---|---|---|---|---|---|---|
| Advances to related parties | ₱3,771,346 | ₱– | ₱– | ₱– | ₱– | ₱3,771,346 | ₱3,771,346 |
| Receivables from related parties | 991,542 | 344,875 | (2,679) | – | 1,333,738 | – | 1,333,738 |
| **Total** | **₱4,762,888** | **₱344,875** | **(₱2,679)** | **₱–** | **₱1,333,738** | **₱3,771,346** | **₱5,105,084** |

*Aragorn Coal Resources, Inc.*

| Account | January 1, 2014 | Additions | Deductions: Amount Collected | Deductions: Amount Written Off | Current | Non Current | December 31, 2014 |
|---|---|---|---|---|---|---|---|
| Advances to related parties | ₱2,194,913 | ₱2,989,244 | ₱– | ₱– | ₱– | ₱5,184,157 | ₱5,184,157 |
| Receivables from related parties | 811,228 | 83,051 | – | – | 894,279 | – | 894,279 |
| **Total** | **₱3,006,141** | **₱3,072,295** | **₱–** | **₱–** | ₱894,279 | **₱5,184,157** | **₱6,078,436** |

*Aragorn Power and Energy Corporation*

| Account | January 1, 2014 | Additions | Deductions<br>Amount Collected | <br>Amount Written Off | Current | Non Current | December 31, 2014 |
|---|---|---|---|---|---|---|---|
| Receivables from related parties | ₱4,589,539 | ₱2,629,997 | (₱641,476) | ₱– | ₱6,578,060 | ₱– | ₱6,578,060 |
| Advances from related parties | 268,376 | 4,870,028 | – | – | – | 5,138,404 | 5,138,404 |
| **Total** | **₱4,857,915** | **₱7,500,025** | **(₱641,476)** | **₱–** | **₱6,578,060** | **₱5,138,404** | **₱11,716,464** |

## Schedule D.  Intangible Asset - Other Asset

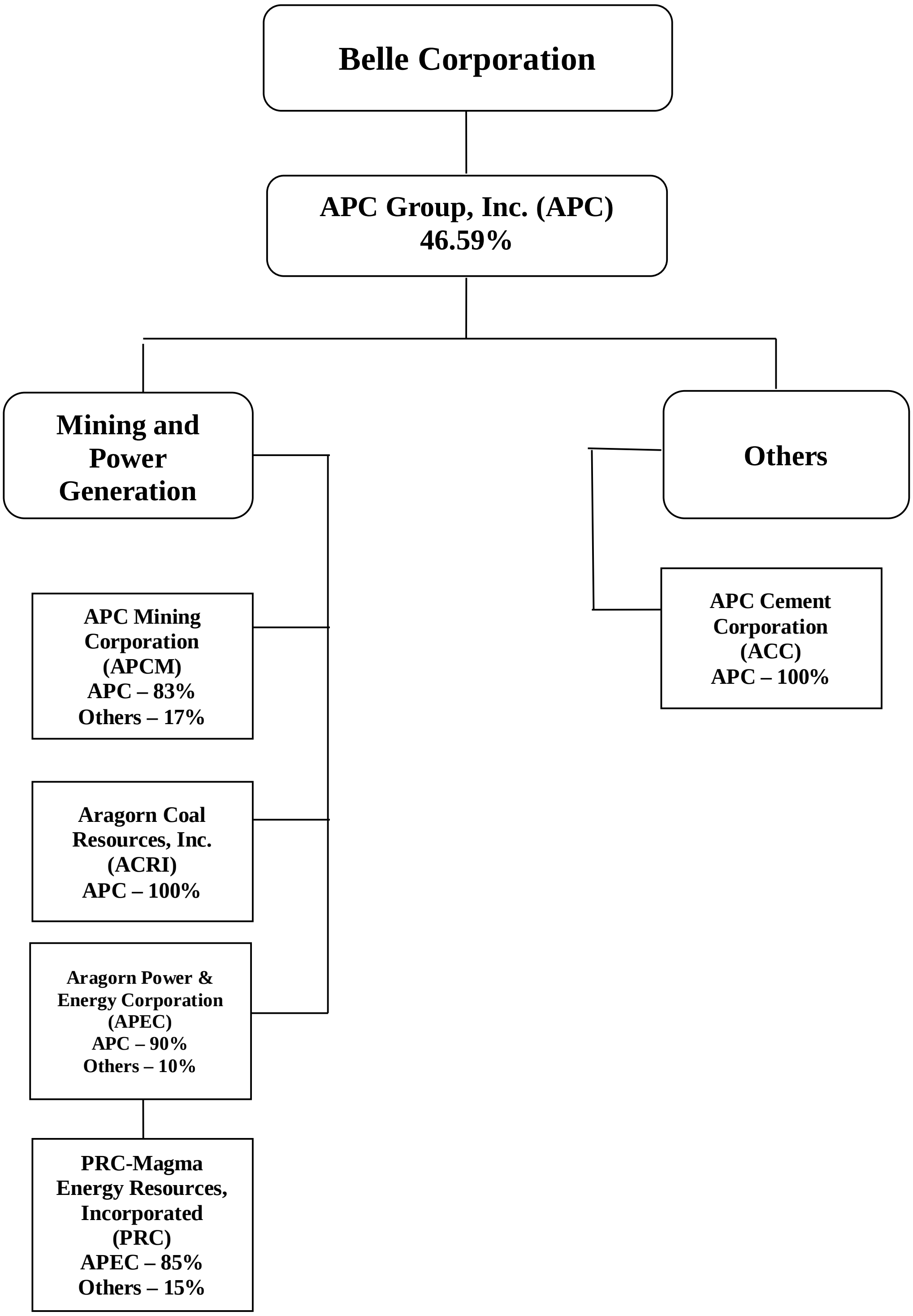
| Description | Beginning balance | Additions at cost | Charge to cost and expenses | Charged to other accounts | Other charges additions (deduction) | Ending balance |
|---|---|---|---|---|---|---|
| **Software cost** | **₱8,815** | **₱–** | **(₱8,815)** | **₱–** | **₱–** | **₱–** |

## 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 | 7,511,809,997* | NA | 3,665,722,334 | 2,452,706 | 3,843,634,957 |
| Preferred | 6,000,000,000 | – | NA | – | – | – |

**inclusive of Treasury shares – 7,606,000*

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



**APC Group, Inc. and Subsidiaries**
**List of Philippine Financial Reporting Standards (PFRSs) and**
**Interpretations Effective as at December 31, 2014**

| **PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014** | | **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 | | | ✓ |
| | Amendments to PFRS 1: Borrowing Costs | | | ✓ |
| | Amendment to PFRS 1: Meaning of Effective PFRSs | | | ✓ |
| **PFRS 2** | Share-based Payment | | | ✓ |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | | | ✓ |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | | | ✓ |
| | Amendment to PFRS 2: Definition of Vesting Condition** | Not Early Adopted | | |
| **PFRS 3 (Revised)** | Business Combinations | | | ✓ |
| | Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination** | Not Early Adopted | | |
| | Amendment to PFRS 3: Scope Exceptions for Joint Arrangements** | Not Early Adopted | | |
| **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 | ✓ | | |
| | Amendments to PFRS 5: Changes in Methods of Disposals** | Not Early Adopted | | |
| **PFRS 6** | Exploration for and Evaluation of Mineral Resources | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as at December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PFRS 7** | Financial Instruments: Disclosures | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | ✓ | | |
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | ✓ | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | | | ✓ |
| | Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities | ✓ | | |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures | ✓ | | |
| | Amendments to PFRS 7: Disclosures – Servicing Contracts** | Not Early Adopted | | |
| | Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements** | Not Early Adopted | | |
| **PFRS 8** | Operating Segments | ✓ | | |
| | Amendments to PFRS 8: 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 | | |
| | Amendments to PFRS 9: Hedge accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)** | Not Early Adopted | | |
| | Amendments to PFRS 9 (2014 version)** | Not Early Adopted | | |
| **PFRS 10** | Consolidated Financial Statements | ✓ | | |
| | Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities | ✓ | | |
| | Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** | Not Early Adopted | | |
| **PFRS 11** | Joint Arrangements | | | ✓ |
| | Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations** | Not Early Adopted | | |
| **PFRS 12** | Disclosure of Interests in Other Entities | ✓ | | |
| | Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities | | | ✓ |
| **PFRS 13** | Fair Value Measurement | ✓ | | |
| | Amendment to PFRS 13: Short-term Receivables and Payables | ✓ | | |
| | Amendment to PFRS 13: Portfolio Exception** | Not Early Adopted | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as at December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PFRS 14** | Regulatory Deferral Accounts** | Not Early Adopted | | |
| **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 | ✓ | | |
| | Amendments to PAS 1: Clarification of the requirements for comparative information | ✓ | | |
| **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 | | | ✓ |
| **PAS 16** | Property, Plant and Equipment | ✓ | | |
| | Amendments to PAS 16: Classification of servicing equipment | | | ✓ |
| | Amendment to PAS 16 and PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Depreciation / Amortization** | Not Early Adopted | | |
| | Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization** | Not Early Adopted | | |
| | Amendment to PAS 16 and PAS 41: Bearer Plants** | Not Early Adopted | | |
| **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** | Not Early Adopted | | |
| | Amendments to PAS 19: Regional Market Issue Regarding Discount Rate** | Not Early Adopted | | |
| **PAS 20** | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ |
| **PAS 21** | The Effects of Changes in Foreign Exchange Rates | ✓ | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as at December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| | Amendment: Net Investment in a Foreign Operation | | | ✓ |
| **PAS 23 (Revised)** | Borrowing Costs | | | ✓ |
| **PAS 24 (Revised)** | Related Party Disclosures | ✓ | | |
| | Amendments to PAS 24: 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 | ✓ | | |
| | Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities | | | ✓ |
| | Amendments to PAS 27: Equity Method in Separate Financial Statements** | Not Early Adopted | | |
| **PAS 28** | Investments in Associates | | | ✓ |
| **PAS 28 (Amended)** | Investments in Associates and Joint Ventures | | | ✓ |
| | Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** | Not Early Adopted | | |
| **PAS 29** | Financial Reporting in Hyperinflationary Economies | | | ✓ |
| **PAS 31** | Interests in Joint Ventures | | | ✓ |
| **PAS 32** | Financial Instruments: 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 | ✓ | | |
| | Amendments to PAS 32: Tax effect of distribution to holders of equity instruments | | | ✓ |
| **PAS 33** | Earnings per Share | ✓ | | |
| **PAS 34** | Interim Financial Reporting | ✓ | | |
| | Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities | | | ✓ |
| | Amendments to PAS 34: Disclosure of Information ‘Elsewhere in the Interim Financial Report’** | Not Early Adopted | | |
| **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 | ✓ | | |
| | Amendments to PAS 16 and PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Depreciation / Amortization** | Not Early Adopted | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as at December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| | Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization** | Not Early Adopted | | |
| **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 | ✓ | | |
| | Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property** | Not Early Adopted | | |
| **PAS 41** | Agriculture | | | ✓ |
| | Amendment to PAS 16 and PAS 41: Bearer Plants** | Not Early Adopted | | |
| **Philippine Interpretations** | | | | |
| **IFRIC 1** | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | ✓ |
| **IFRIC 2** | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ |
| **IFRIC 4** | Determining Whether an Arrangement Contains a Lease | ✓ | | |
| **IFRIC 5** | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | ✓ |
| **IFRIC 6** | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | | | ✓ |
| **IFRIC 7** | Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies | | | ✓ |
| **IFRIC 8** | Scope of PFRS 2 | | | ✓ |
| **IFRIC 9** | Reassessment of Embedded Derivatives | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as at December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **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 15** | Agreements for the Construction of Real Estate* | Not Early Adopted | | |
| **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 | ✓ | | |
| **SIC-7** | Introduction of the Euro | | | ✓ |
| **SIC-10** | Government Assistance - No Specific Relation to Operating Activities | | | ✓ |
| **SIC-12** | Consolidation - Special Purpose Entities | | | ✓ |
| | Amendment to SIC - 12: Scope of SIC 12 | | | ✓ |
| **SIC-13** | Jointly Controlled Entities - Non-Monetary Contributions by Venturers | | | ✓ |
| **SIC-15** | Operating Leases – Incentives | | | ✓ |
| **SIC-25** | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | | | ✓ |
| **SIC-27** | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | ✓ | | |
| **SIC-29** | Service Concession Arrangements: Disclosures | | | ✓ |
| **SIC-31** | Revenue - Barter Transactions Involving Advertising Services | | | ✓ |
| **SIC-32** | Intangible Assets - Web Site Costs | | | ✓ |

** Standards and interpretations which will become effective subsequent to December 31, 2014.*
*** Standards and amendments already approved by the Financial Reporting Standards Council (FRSC) but still for approval by the Board of Accountancy.*

Note: Standards and interpretations tagged as “Not Applicable” are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2014.

# SECURITIES AND EXCHANGE COMMISSION

# SEC FORM – ACGR

# ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **2014**

2. Exact Name of Registrant as Specified in its Charter **APC GROUP, INC.**

3. **8th Floor PhilCom Building 8755 Paseo de Roxas, Makati City** **1226**
   Address of Principal Office Postal Code

4. SEC Identification Number: **AS093-8127** 5 (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number: **002-834-075**

7. **(632)845-0614**
   Issuer's Telephone number, including area code

8. **N/A**
   Former name or former address, if changed from the last report

## TABLE OF CONTENTS

## A. BOARD MATTERS

1) Board of Directors

| | |
|---|---|
| Number of Directors per Articles of Incorporation | **7*** |

| | |
|---|---|
| Actual number of Directors for the year | **7*** |

* On 14 December 2012, .the SEC approved the amendment of Article VI of the Articles of Incorporation reducing the number of directors from 11 to 7.

(a) Composition of the Board

Complete the table with information on the Board of Directors:

| Director's Name | Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)] | If nominee identify the principal | Nominator in the last election (if ID, state the relationship with the nominator) | Date first elected | Date last elected (if ID, state the number of years served as ID) | Elected when (Annual /Special Meeting) | No. of years served as director |
|---|---|---|---|---|---|---|---|
| Willy N. Ocier | ED | | Sabino E. Acut | 1998 | September 22, 2014 | Annual Meeting | 16 |
| Frederic C. DyBuncio | ED | | Maritoni Z. Liwanag (no relation to the nominee) | June 6, 2012 | September 22, 2014 | Annual Meeting | 3 |
| Bernardo D. Lim | ED | | David Kho | 2000 | September 22, 2014 | Annual Meeting | 14 |
| Edmundo L. Tan | NED | | Paul Mar C. Arias | 2000 | September 22, 2014 | Annual Meeting | 14 |
| Virginia A. Yap | NED | | Sabino E. Acut | June 6, 2012 | September 22, 2014 | Annual Meeting | 2 |
| Tomas D. Santos | ID | | Maritoni Z. Liwanag | June 6, 2012 | September 22, 2014 (3 years) | Annual Meeting | 3 |
| Laurito E. Serrano | ID | | Martin Israel L. Pison | June 18, 2013 | September 22, 2014 (2 year) | Annual Meeting | 2 |

Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasis the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

APC has been monitoring compliance with SEC Memorandum Circular No. 2 Series of 2002 as amended by SEC Memorandum Circular No. 6 Series of 2009, as well as other relevant SEC circulars and rules on good corporate governance. On 15 February 2011, APC submitted its Revised Corporate Governance Manual in compliance with SEC directive of 26 January 2011. It was further revised to include changes required pursuant to SEC Memorandum Circular No. 9 Series of 2014 and was filed on 31 July 2014. All directors, officers, and employees complied with all the leading practices and principles of good governance as embodied in the Company's Manual of Corporate Governance. The Company complied with the appropriate performance self-rating assessment and performance evaluation system to determine and measure compliance with the Manual of Corporate Governance.

The Company is unaware of any non-compliance with or deviation from its Manual of Corporate Governance by any of its directors, officers and employees during the previous year. The Company will continue to monitor compliance with the SEC Rules of Corporate Governance, and shall remain committed in ensuring the adoption of other systems and practices good corporate governance to enhance its value to its shareholders.

In the Organizational Meeting of the duty elected Board of Directors held immediately after the Stockholders' Meeting on September 22, 2014 the members of the Executive Committee, Nomination Committee, Compensation and Remuneration Committee, Audit Committee and Risk Management Committee were elected. In compliance with SEC Memorandum Circular No. 12 date August 18, 2009, the Company submitted its Corporate Governance Scorecard on December 5, 2011.

How often does the Board review and approve the vision and mission? As needed

(b) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

| Director's Name | Corporate Name of the Group Company | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|---|---|---|
| Willy N. Ocier | Belle Corporation | Executive |
| | Aragorn Power and Energy Corporation | Executive, Chairman |
| | Aragorn Coal Resources Inc. | Executive, Chairman |
| | APC Mining Corporation | Executive, Chairman |
| | APC Cement Corporation | Executive, Chairman |
| | PRC Magma Energy Resources, Inc. | Executive, Chairman |
| | Highlands Prime, Inc. | Non-Executive |
| Frederic C. DyBuncio | Belle Corporation | Executive |
| | Highlands Prime, Inc. | Non-Executive |
| Bernardo D. Lim | Aragorn Power and Energy Corporation | Executive |
| | Aragorn Coal Resources Inc. | Executive |
| | APC Mining Corporation | Executive |
| | APC Cement Corporation | Executive |
| | PRC Magma Energy Resources, Inc. | Non-Executive |
| Virginia A. Yap | Belle Corporation | Non-Executive |
| | Highlands Prime Inc. | Executive |
| Edmundo L. Tan | Aragorn Power and Energy Corporation<br>PRC-Magma Energy Resources, Inc. | Non-Executive |
| Tomas D. Santos | | |
| Laurito E. Serrano | | |

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

| Director's Name | Name of Listed Company | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|---|---|---|

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

| | | |
|---|---|---|
| Willy N. Ocier | Premium Leisure Corp. | Executive, Chairman |
| | Pacific Online Systems Corporation | Executive, Chairman |
| Frederic C. DyBuncio | Atlas Consolidated Mining and Development Corporation Development Corporation | Non-Executive |
| | Pacific Online Systems Corporation | Non-Executive |
| | Premium Leisure Corp. | Non-Executive |
| Edmundo L. Tan | Premium Leisure Corp. | Non-Executive |
| Virginia A. Yap | Premium Leisure Corp. | Non-Executive |
| Laurito E. Serrano | Atlas Consolidated Mining and Development Corporation | Non-Executive |
| | Travellers International Hotel Group Inc. | Non-Executive |

(iii) Relationship within the Company and its Group.

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

| Director's Name | Name of the Significant Shareholder | Description of the relationship |
|---|---|---|
| Willy N. Ocier | Belle Corporation | Co-Vice Chairman |
| Frederic C. DyBuncio | Belle Corporation | President & CEO |
| Virginia A. Yap | Belle Corporation | Director |

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

| | Guidelines | Maximum Number of Directorships in other companies |
|---|---|---|
| **Executive Director** | Refer to Manual on Corporate Governance submitted on February 15, 2011.<br><br>The Board may consider the adoption of guidelines on the number of directorships that its member can hold in stock and non-stock corporations. The optimum number should take into consideration the capacity of director to diligently and efficiently perform his duties and responsibilities. Executive Directors may be covered by a lower indicative limit for membership in other boards.<br>In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised | None |
| **Non-Executive Director** | Refer to Manual on Corporate Governance submitted on February 15, 2011.<br><br>The Board may consider the adoption of guidelines on the number of directorships that its member can hold in stock and non-stock corporations. The optimum number should take into consideration the capacity of director to diligently and efficiently | None |

| | | |
|---|---|---|
| | perform his duties and responsibilities. Non-Executive Directors may be covered by a lower indicative limit for membership in other boards.<br>In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised | |
| **CEO** | Refer to Manual on Corporate Governance submitted on February 15, 2011.<br><br>The Board may consider the adoption of guidelines on the number of directorships that its member can hold in stock and non-stock corporations. The optimum number should take into consideration the capacity of director to diligently and efficiently perform his duties and responsibilities. Chief Executive Officer may be covered by a lower indicative limit for membership in other boards.<br>In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised. | None |

(c) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

| Name of Director | Number of Direct shares | Number of Indirect shares / Through (name of record owner) | % of Capital Stock |
|---|---|---|---|
| Willy N. Ocier | 310,001 | 1,897,000 | 0.03% |
| Frederic C. DyBuncio | 1 | 0 | 0 |
| Bernardo D. Lim | 1,000 | 0 | 0 |
| Edmundo L. Tan | 1 | 234,700 | 0 |
| Virginia A. Yap | 10,001 | 0 | 0 |
| Tomas D.Santos | 1 | 0 | 0 |
| Laurito E. Serrano | 1 | 0 | 0 |
| **TOTAL** | **321,006** | **2,131,700** | |

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [ X ] No [ ]

Identify the Chair and CEO:

| | |
|---|---|
| Chairman of the Board | Willy N. Ocier |
| CEO/President | Frederic C. DyBuncio |

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

| | Chairman | Chief Executive Officer |
|---|---|---|
| Role<br>Accountabilities | ▪ Preside at all meetings of the Board of Directors and stockholders and ensure that all meetings are held in accordance with the By-Laws | ▪ Supervise and control all of the business and affairs of the Company |
| Deliverables | ▪ Ensure regularity of meetings of the Board<br>▪ Identify areas for improvement of the members of the Board, such as training/continuing education programs or any other form of assistance that directors may need in the performance of their duties<br>▪ Evaluate and enhance the support services given to the Board, such as the quality and timeliness of information provided to them, the frequency and conduct of regular, special or committee meetings and their accessibility to management and the Corporate secretary | ▪ Consider various opportunities relative to new business ventures, the implementation of which will depend on economic conditions in the future<br>▪ Oversee the management of the Company and safeguard the Company's assets |

(c) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

Succession planning is part of the Board of Directors strategic planning, the Board of Directors constantly identifies key leaders within the organization and potential candidates outside the company to hold key management positions in the eventuality that certain positions are vacated.

3) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

YES. Under the Company's Revised Manual on Corporate Governance, the Nomination Committee is tasked to ensure that the Board has an appropriate balance of required industry knowledge, expertise and skills needed to govern the Company towards achieving its intended goals and objectives.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes. Please see explanation above

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

| | Executive | Non-Executive | Independent Director |
|---|---|---|---|
| Role<br>Accountabilities | It is the responsibility of the Board of Directors to foster the long-term success of the Company. In particular, the Board shall:<br>a) Be responsible to the shareholders for the good standing of the Company, the management of its assets for optimum performance and the strategy for its future development.<br>b) Set the strategic objectives of the Company, establish the Company's vision and mission, determine investment policy, agree on performance criteria and delegate to management the detailed planning and implementation of that policy, in accordance with appropriate risk parameters.<br>c) Monitor compliance with policies, and achievement against objectives, by holding management accountable for its activity through the measurement and control of operations by regular reports to the Board, including monthly performance reporting and budget updates.<br>d) Conduct itself with utmost honesty and integrity in the discharge of its duties and | | |

| | |
|---|---|
| | responsibilities, and shall act in a manner characterized by transparency, accountability and fairness. |
| Deliverables | ▪ Periodically review the Company's vision, mission, strategies, plans, and annual budget and continuously monitor the implementation of such policies and strategies, including management's overall performance<br>▪ Implement the action plans made based on the results of the self-assessment conducted following the guideline set forth by SEC Memorandum Circular No. 4<br>▪ Formulate succession plans for top key management positions and review such plan on a regular basis<br>▪ Institutionalize the risk management assessment process to ensure standardization, effectiveness and efficiency, and continuously monitor key risk areas and performance indicators with due diligence to enable the Company to anticipate and prepare for possible threats to its operational and financial viability<br>▪ Institute good corporate governance practices and ensure effective communication with all employees for acknowledgment and strict compliance<br>▪ Review the Company's continual process of good corporate governance, as well as providing approaches and advices for development, and tasking management to look into the evolving ASEAN Corporate Governance initiative from the regulators and advocacy groups and see what other enhancements can be properly pursued<br>▪ Define policies and plans regarding corporate social responsibility (CSR), including formulating an action plan for publicizing and promoting awareness of CSR among all officers and employees |

Provide the company's definition of "independence" and describe the company's compliance to the definition.

A person who, apart from his fees and shareholding, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director. The qualifications and disqualifications as provided by the Securities regulation Code as well as the Code of Corporate Governance are strictly implemented by the Nomination Committee in the selection and evaluation of all nominees for independent director.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

None. Each director shall serve for a term of one year. Eligibility for re-election shall be in accordance with the Articles of Incorporation of the Corporation and shall be elected at each Annual Meeting of the Stockholders.

4) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

| Procedure | Process Adopted | Criteria |
|---|---|---|
| **a. Selection/Appointment** | | |
| (i) Executive Directors | Members of the Board of Directors are nominated by stockholders through the | The Company's Amended By-Laws mandate that each director shall possess all of the following qualifications: |
| (ii) Non-Executive | | |

| | | |
|---|---|---|
| Directors | Nomination Committee and elected at the annual meeting of the stockholders to serve for a term of one (1) year until their successors are duly elected and qualified.<br><br>The Nomination Committee reviews and evaluates all candidates nominated to Officer positions in the Company that, under the Company's By-Laws, require Board approval prior to effectivity of such Officer appointments or promotions. | (a) a holder of at least one (1) share of stock of the Company;<br>(b) at least a holder of a Bachelor's Degree, or to substitute for such formal education, must have adequate competency and understanding of business;<br>(c) of legal age; and<br>(d) shall have proven to possess integrity and probity.<br><br>In addition, under the Company's Revised Manual on Corporate Governance, the Nomination Committee also considers the following factors in determining the fitness of a nominee to the Board:<br>(a) college education or equivalent academic degree;<br>(b) practical understanding of the business of the Company;<br>(c) membership in good standing in relevant industry, business, or professional organizations; and,<br>(d) previous business experience. |
| (iii) Independent Directors | In compliance with SEC SRC Rule 38, the Corporations' Nomination Committee of the Corporate Governance Committee has adopted the following rules governing the nomination and election of independent directors:<br><br>1. Period. The Committee shall accept nominations for independent directors before the stockholders' meeting.<br>2. Form and Contents. The nominations shall be in writing signed by the nominating stockholder with the acceptance and conformity of the would-be nominee. It shall indicated whether a nominee is intended to be an independent director, and must contain the nominee's age, educational attainment, work and/or business experience or affiliations.<br>3. Qualifications. The nominee for independent director must meet the minimum requirements and qualifications prescribed by law.<br>4. Evaluation. Copies of the nomination letters from the | The Company's Amended By-Laws mandate that each director shall possess all of the following qualifications:<br>(a) a holder of at least one (1) share of stock of the Company;<br>(b) at least a holder of a Bachelor's Degree, or to substitute for such formal education, must have adequate competency and understanding of business;<br>(c) of legal age; and<br>(d) shall have proven to possess integrity and probity.<br><br>In addition, under the Company's Revised Manual on Corporate Governance, the Nomination Committee also considers the following factors in determining the fitness of a nominee to the Board:<br>(a) college education or equivalent academic degree;<br>(b) practical understanding of the business of the Company;<br>(c) membership in good standing in relevant industry, business, or professional organizations; and,<br>(d) previous business experience. |

| | | |
|---|---|---|
| | shareholders are circulated to the members of the Committee. The Committee sets a meeting to evaluate the nominations in accordance with the qualifications of the nominees and set policies and parameters for screening.<br>5. List of Candidates. The Committee prepares a final list of all candidates including a summary of relevant information about them. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Directors. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting. | |
| b. Re-appointment | | |
| (i) Executive Directors | Same process and criteria as Selection/Appointment | |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |
| c. Permanent Disqualification | | |
| (i) Executive Directors | The Nomination Committee shortlists, assesses and evaluates all candidates nominated to become a member of the Board in accordance with the qualification and disqualification criteria set out in the Revised Manual on Corporate Governance. | The following shall be grounds for the permanent disqualification of a director:<br>(i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;<br>(ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |

| | | |
|---|---|---|
| | | adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in the sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.<br>(iii) The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking, or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member participant of the organization;<br>(iv) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;<br>(v) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;<br>(vi) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;<br>(vii) Any person judicially declared to be insolvent;<br>(viii) Any person found guilty by final judgment or order of a foreign court or |

| | | |
|---|---|---|
| | | equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in subparagraphs (i) to (v) above;<br>(ix) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation code committed within five (5) years prior to the date of his election or appointment. |
| **d. Temporary Disqualification** | | |
| (i) Executive Directors<br>(ii) Non-Executive Directors<br>(iii) Independent Directors | The Nomination Committee shortlists, assesses and evaluates all candidates nominated to become a member of the Board in accordance with the qualification and disqualification criteria set out in the Revised Manual on Corporate Governance.<br><br>A temporary disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. | The Board may also provide for the temporary disqualification or suspension of a director for the following reasons:<br>(i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.<br>(ii) Absence in more than fifty (50) percent of all regular and special meeting of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.<br>(iii) Dismissal or termination for cause as director of any corporation covered by the SEC's Code of Corporate Governance. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.<br>(iv) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.<br>(v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final. |
| e. Removal | | |
| (i) Executive Directors<br>(ii) Non-Executive Directors<br>(iii) Independent Directors | Same process and criteria as Permanent/Temporary Disqualification | |
| f. Re-instatement | | |

| | |
|---|---|
| (i) Executive Directors | Same process and criteria as Selection/Appointment |
| (ii) Non-Executive Directors | |
| (iii) Independent Directors | |
| **g. Suspension** | |
| (i) Executive Directors | Same process and criteria as Permanent/Temporary Disqualification |
| (ii) Non-Executive Directors | |
| (iii) Independent Directors | |

Voting Result of the last Annual General Meeting

| Name of Director | Votes Received |
|---|---|
| Willy N. Ocier | 5,177,617,616 |
| Frederic C. DyBuncio | 5,177,617,616 |
| Bernardo D. Lim | 5,177,617,616 |
| Edmundo L. Tan | 5,177,617,616 |
| Virginia A. Yap | 5,177,617,616 |
| Tomas D. Santos | 5,177,617,616 |

5) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

None

(b) State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years:

None

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

| Name of Director/Officer | Date of Training | Program | Name of Training Institution |
|---|---|---|---|
| **WILLY N. OCIER** | May 26, 2014 | Exclusive Orientation Course on Corporate Governance | The Institute of Corporate Directors |
| | May 26, 2014 | Exclusive Orientation Course on Corporate Governance | The Institute of Corporate Directors |
| **FREDERIC C. DYBUNCIO** | May 26, 2014 | Exclusive Orientation Course on Corporate Governance | The Institute of Corporate Directors |
| **BERNARDO D. LIM** | May 26, 2014 | Exclusive Orientation Course on Corporate Governance | The Institute of Corporate Directors |

The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.
anning, directing and controlling the activities of the company.

| | | | |
|---|---|---|---|
| **EDMUNDO L. TAN** | May 26, 2014 | Exclusive Orientation Course on Corporate Governance | The Institute of Corporate Directors |
| **VIRGINIA A. YAP** | May 26, 2014 | Exclusive Orientation Course on Corporate Governance | The Institute of Corporate Directors |
| **LAURITO E. SERRANO** | May 26, 2014 | Exclusive Orientation Course on Corporate Governance | The Institute of Corporate Directors |
| **TOMAS D. SANTOS** | May 26, 2014 | Exclusive Orientation Course on Corporate Governance | The Institute of Corporate Directors |

## B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

| Business Conduct & Ethics | Directors | Senior Management | Employees |
|---|---|---|---|
| (a) Conflict of Interest | Uphold the interest of the Company by not engaging in any competitive business.<br><br>Protect the interest of the Company by not allowing himself nor his relatives to engage in any business with the Company. | Uphold the interest of the Company by not engaging in any competitive business.<br><br>Protect the interest of the Company by not allowing himself nor his relatives to engage in any business with the Company. | Uphold the interest of the Company by not engaging in any competitive business.<br><br>Protect the interest of the Company by not allowing himself nor his relatives to engage in any business with the Company. |
| (b) Conduct of Business and Fair Dealings | Protect the interest of the Company by conducting business affairs fairly, honestly and according to law. | Protect the interest of the Company by conducting business affairs fairly, honestly and according to law. | Protect the interest of the Company by conducting business affairs fairly, honestly and according to law. |
| (c) Receipt of gifts from third parties | Uphold the interest of the Company by not granting nor receiving favors especially in matters dealing with hiring, purchasing, awarding of contracts or similar activities. | Uphold the interest of the Company by not granting nor receiving favors especially in matters dealing with hiring, purchasing, awarding of contracts or similar activities. | Uphold the interest of the Company by not granting nor receiving favors especially in matters dealing with hiring, purchasing, awarding of contracts or similar activities. |
| (d) Compliance with Laws & Regulations | Protect the interest of the Company by conducting business affairs fairly, honestly and according to law. | Protect the interest of the Company by conducting business affairs fairly, honestly and according to law. | Protect the interest of the Company by conducting business affairs fairly, honestly and according to law. |
| (e) Respect for Trade Secrets/Use of Non-public Information | Protect zealously and cautiously confidential information on APC business plans, strategies, systems, and products while employed in the Company in the | Protect zealously and cautiously confidential information on APC business plans, strategies, systems, and products while employed in the Company in the Company or even after separation | Protect zealously and cautiously confidential information on APC business plans, strategies, systems, and products while employed in the Company in the Company or even after separation from it. |

| | | | |
|---|---|---|---|
| | Company or even after separation from it. | from it. | |
| (f) Use of Company Funds, Assets and Information | Use wisely and judiciously Company funds, property, equipment, supplies and time for the purpose set by the Company. | Use wisely and judiciously Company funds, property, equipment, supplies and time for the purpose set by the Company. | Use wisely and judiciously Company funds, property, equipment, supplies and time for the purpose set by the Company. |
| (g) Employment & Labor Laws & Policies | N/A | 1. Employee are classified according to status.<br><br>* <u>Probationary</u>- Those hired for a permanent position and are undergoing a trial period of no more than six (6) month to determine their suitability.<br>*<u>Regular- </u>Those issued a permanent appointment after having satisfactorily complete the probationary period and fulfilled all the requirement for regular employment.<br><br>2. An employee is further classified according to rank and class:<br><br>*Class A- Assistant Manager -President<br>*Class B- Managerial / Technical - Professional Group<br>*Class C- Office / Technical Staff | 1. Employee are classified according to status.<br><br>* <u>Probationary</u>- Those hired for a permanent position and are undergoing a trial period of no more than six (6) month to determine their suitability.<br>*<u>Regular- </u>Those issued a permanent appointment after having satisfactorily complete the probationary period and fulfilled all the requirement for regular employment.<br><br>2. An employee is further classified according to rank and class:<br><br>*Class A- Assistant Manager - President<br>*Class B- Managerial / Technical - Professional Group<br>*Class C- Office / Technical Staff |
| (h) Disciplinary action | The permanent and temporary disqualifications of a director is provided for in Sections 2.4.4 .1 and 2.4.4.2 of the Manual on Corporate Governance submitted on February 15, 2011. The director may be removed by from the board by a vote of the stockholders holding at least two-thirds of the outstanding capital stock outstanding capital stock in a regular or special meeting called for such | **Breach of trust & Confidence, Dishonesty**<br>*Manipulating Company funds /first offense / Dismissal<br>*Misappropriation, malversation, withholding of funds /first offense / Dismissal | **Breach of trust & Confidence, Dishonesty**<br>*Manipulating Company funds /first offense / Dismissal<br>*Misappropriation, malversation, withholding of funds /first offense / Dismissal<br>*Theft / robbery of Company property & co- employee's personal / first offense / Dismissal<br>*Giving false testimony during investigation /first offense / Dismissal or forced resignation<br>*Falsifying official documents including daily time records, employment application forms, etc. / first offense / Suspension |

| | | | |
|---|---|---|---|
| | purpose. | | to dismissal<br>* Failure to inform higher authority or superior of any inducement, instruction or order from superior or other high ranking officer to commit any violation of rules or policies. / first offense/ 5 days suspension / second offense 15 suspension / third offense / Dismissal<br>*Failure to inform high ranking authority or superior of the wrongdoing of another staff or officer /first offense / 2 days suspension / second offense/ 3 days suspension / third offense / 5 days suspension/ fourth offense / longer suspension to dismissal<br><br>**Violation of Operating Procedure**<br><br>*willful non-observance of standard operating procedures in the handling of work assignment for purposes of personal gain, profit, advantage of another person. / first offense/ Dismissal<br>*Failure to observe a standard operating procedure tantamount to negligence. / first offense / Suspension to dismissal depending on the gravity of the offense<br><br>**Negligence of work**<br><br>*****Negligence or inefficiency including delayed completion of work assignments, failure to meet deadline, improper discharge of instructions, inaccurate report. / first offense / Suspension to dismissal<br>* Gross negligence resulting in damage or loss the Company. / first offense /Suspension to dismissal<br>*Losing Company record that cause prejudice to the Company. / first offense / written reprimand to dismissal<br>*Willful slowing down or limiting work output. / first offense / 10 days suspension / |

| | | | |
|---|---|---|---|
| | | | second offense /Dismissal<br>*Unfitness for work due to excessive drinking of alcoholic drinks. / first offense/ 10 days suspension / second offense / Dismissal<br>* Attending to personal matters at excessive periods during work hours, exceeding break periods, playing games, collecting debts, soliciting contributions or bets, cell texting. / first offense / written reprimand / second offense / 3 days suspension / third offense / 6 days suspension / fourth offense/ 10 days suspension /fifth offense 15 days suspension<br>* Selling, soliciting, peddling, collecting contribution or soliciting order for any merchandise or distribution of unauthorized materials within the Company premises. / first offense / written reprimand / second offense / 3 days suspension /third offense 6 days suspension / fourth offense/ 10 days suspension / fifth offense /15 days suspension<br>*Leaving work assignment or working place during working hours without prior notice, loitering, prolonging rest period or wandering about inside Company premises.<br>*Frequently receiving visitors during office hours for personal business or excessive use of telephone for personal calls.<br>*sleeping while on duty.<br><br>**Improper Conduct and Behavior**<br><br>*Acts of threat, intimidation, coercion, harassment, or using profane language on co-employees orally or in writing.<br>*Quarreling with co-employees, exchanging of strong and violent word or challenging to fights.<br>*Fighting inside the Company premises<br>*Committing acts of threats, coercion, harassment, etc. on superior or officer or clients. |

| | | | |
|---|---|---|---|
| | | | *Disrespectful, discourteous, insulting, unbecoming, slanderous/ libelous language towards superior officer or client.<br>*Committing physical force or violence or inflicting bodily harm to superior or officer or to clients. /first offense / Dismissal<br>*Making or spreading malicious, derogatory or false statement about any employee or officer rumor – mongering. / first offense / 15 days suspension / second offense/ longer suspension to dismissal<br>*Engaging in horseplay, running scuffling or throwing things within the Company premises. / first offense / 5 days suspension / second offense / 15 days suspension /third offense/ longer suspension to dismissal<br>*Vandalism in any form or intentional destruction of Company property. / first offense / suspension to dismissal<br>*Any act of disrespect, insult, or any unbecoming language or behavior towards clients or the general public. / first offense / suspension to dismissal<br><br>**Against High Moral Standards**<br><br>*Conviction of a crime involving moral turpitude. / first offense / Dismissal<br>*Acts of lasciviousness. / first offense /suspension to dismissal<br>*Illicit relations in the proportion of scandal. / first offense / Suspension to dismissal<br><br>**Insubordination/ disobedience**<br><br>*Failure to carry out lawful verbal or written orders/ instruction of a superior or officer. / first offense/ Suspension to dismissal<br><br>**Acts Against Company's Interest**<br><br>*Soliciting or receiving fees, |

| | | | |
|---|---|---|---|
| | | | commissions or kickback from client, suppliers, collections, etc. in exchange for considering or patronizing their products or services or for service rendered in connection with any Company transaction./ first offense/ Dismissal<br>*Revelation of confidential matter s, date or other information relative to Company transactions or communications or secrets of trade, including restricted information about the Company or client's account.<br>*Making or spreading malicious, derogatory or false statements regarding the good name of the Company or its subsidiaries.<br><br>**Tardiness**<br><br>***First offense / first offense Verbal warning<br>*Two tardiness during the weeks. /second offense / Verbal Reprimand<br>*Three tardiness in a given week or five tardiness in any two consecutive weeks. /third offense / Written reprimand<br>*Tardiness during a four-week period totaling two hours regardless of the number of times tardy. /fourth offense /Suspension for 2 days without pay<br>*Tardiness during a four-week period totaling three hours regardless of the number of time tardy. / fifth offense / Suspension for 7 days without pay<br>*Suspension for a total of 21 workdays within a six- month period may be grounds for dismissal. |
| (i) Whistle Blower | | Consistent with APC GROUP, Inc.'s commitment to professional ethics and traditional values, the Company expects its directors, officers, employees and contract workers to observe high | Consistent with APC GROUP, Inc.'s commitment to professional ethics and traditional values, the Company expects its directors, officers, employees and contract workers to observe high standards of business and personal ethics in the conduct |

| | | | |
|---|---|---|---|
| | N/A | standards of business and personal ethics in the conduct of their duties and responsibilities at all times inside and outside the Company.<br>Everyone is expected to help and work towards creating an environment where concerns can be raised for possible violations of our Code of Discipline, policies and laws so they can be resolved sooner than later. | of their duties and responsibilities at all times inside and outside the Company.<br>Everyone is expected to help and work towards creating an environment where concerns can be raised for possible violations of our Code of Discipline, policies and laws so they can be resolved sooner than later. |
| (j) Conflict Resolution | The Company has a conflict resolution policy to provide a quick effective and consistent method of presenting concerns to management and have those concerns resolved internally. | The Company has a conflict resolution policy to provide a quick effective and consistent method of presenting concerns to management and have those concerns resolved internally. | The Company has a conflict resolution policy to provide a quick effective and consistent method of presenting concerns to management and have those concerns resolved internally. |

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

Annual Self Assessment

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

| Related Party Transactions | Policies and Procedures |
|---|---|
| (1) Parent Company<br>(2) Joint Ventures<br>(3) Subsidiaries<br>(4) Entities Under Common Control<br>(5) Substantial Stockholders<br>(6) Officers including spouse/children/siblings/parents<br>(7) Directors including spouse/children/siblings/parents | The Company practices full disclosure of details of related-party transactions. The nature, extent and all other material details of transactions with related parties are disclosed in the Company's financial statements and quarterly and annual reports to the SEC and PSE.<br><br>The Company conducts all related party transactions on an arm's length basis. In addition, a periodic assessment is made on the following:<br>▪ Collectability of receivables from related parties and the necessity to provide allowance for doubtful accounts for such receivables<br>▪ Market and financial risks faced by related parties |

| | |
|---|---|
| | ▪ Guarantees issued to or received from related parties<br>▪ Financial and economic soundness of related party transactions (e.g., receivables and payables, cash placements and loans, investments in shares of stock, management/service fees, etc.)<br><br>Management regularly presents the details of transactions entered into by the Company with related parties at the meetings of the Audit Committee.<br><br>A contract of the corporation with one or more of its officers/Directors is:<br>A. Voidable at the option of the corporation unless -<br>• The presence of the director is not needed for a quorum (in a Board Meeting, AND<br>• His vote is not necessary, AND<br>• The contract is fair and reasonable, AND<br>• The contract with the officer has been previously authorized by the Board<br>B. Where the first 2 conditions are absent, the stockholders must ratify it –<br>• By a vote of 2/3 of outstanding stock in a stockholders meeting<br>• Full disclosure of the adverse interest of the officer involved in the contract must be made<br>• The contract must be fair and reasonable |
| (8) Interlocking director relationship of Board of Directors | 1.1 Contracts with another corporation with interlocking directors is valid provided:<br>1.1.1 There is no fraud<br>1.1.2 It is fair and reasonable<br>1.2 Where the interest of the director is substantial (exceeds 20%) in one and nominal (20% or less) in another, the rules on dealing of directors in the immediately preceding item appliers with respect to the corporation where the common director has nominal share<br>1.2.1 If director interest is minimal in both or if substantial in both, the contract is valid.<br>1.2.2 If minimal in one and substantial in the other, apply the rules on dealings of directors with the corporation. |

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

| | **Details of Conflict of Interest (Actual or Probable)** |
|---|---|
| Name of Director/s | Directors, officers and significant shareholders may exercise significant influence over the Company in making financial and operational decisions that are not in the best interests of the Company and its stakeholders. Transactions with these related parties may not be on arm’s length basis.<br><br>Probable conflicts of interest would include:<br>▪ When the director/officer/significant shareholder would use his/her position for personal financial gain |
| Name of Officer/s | |
| Name of Significant Shareholders | |

| | |
|---|---|
| | or to benefit a company in which the director/officer/significant shareholder has a financial interest<br>▪ When outside financial or other interests may inappropriately influence the way in which the director/officer/significant shareholder carries out his/her responsibilities<br>▪ When the director's/officer's/significant shareholder's outside interests otherwise may cause harm to the Company's reputation and its stakeholders<br>▪ When there is an outside relationship that may deter the director/officer/significant shareholder from devoting an appropriate amount of time, energy, creativity, or other personal resources to his/her responsibilities |

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

| | **Directors/Officers/Significant Shareholders** |
|---|---|
| Company | The Board of Directors hold regular meetings during the year. Any matters related to conflict of interest maybe be discussed and appropriate resolutions are implemented. |
| Group | The Board of Directors hold regular meetings during the year. Any matters related to conflict of interest maybe be discussed and appropriate resolutions are implemented |

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[4] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

| **Names of Related Significant Shareholders** | **Type of Relationship** | **Brief Description of the Relationship** |
|---|---|---|
| None | | |
| | | |

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

| **Names of Related Significant Shareholders** | **Type of Relationship** | **Brief Description** |
|---|---|---|
| None | | |
| | | |

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

| **Name of Shareholders** | **% of Capital Stock affected (Parties)** | **Brief Description of the Transaction** |
|---|---|---|
| None | | |
| | | |

[4] Family relationship up to the fourth civil degree either by consanguinity or affinity.

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

| | Alternative Dispute Resolution System |
|---|---|
| **Corporation & Stockholders** | None |
| **Corporation & Third Parties** | None |
| **Corporation & Regulatory Authorities** | None |

## C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

Refer to Articles of Incorporation Section 7 on Regular Meeting which states "Regular meetings of the Board of Directors shall be held every fourth Thursday of each month or at such date, time and place as the Chairman, or in his absence, the President shall from time to time determine. If any day fixed for a regular meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting which would otherwise be held on that day shall be held at the same hour on the next succeeding business day of legal holiday. Notice of regular meetings need not be given."

2) Attendance of Directors

| Board | Name | Date of Election | No. of Meetings Held during the year | No. of Meetings Attended | % |
|---|---|---|---|---|---|
| Chairman | WILLY N. OCIER | September 22, 2014 | 11 | 10 | 90.9% |
| Member | FREDERIC C. DYBUNCIO | September 22, 2014 | 11 | 10 | 90.9% |
| Member | BERNARDO D. LIM | September 22, 2014 | 11 | 11 | 100% |
| Member | EDMUNDO C. TAN | September 22, 2014 | 11 | 11 | 100% |
| Member | VIRGINIA A. YAP | September 22, 2014 | 11 | 11 | 100% |
| Independent | TOMAS D. SANTOS | September 22, 2014 | 11 | 11 | 100% |
| Independent | LAURITO E. SERRANO | September 22, 2014 | 11 | 11 | 100% |

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

No

Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

No. Refer to Section 4 of the Articles of Incorporation on Quorum and Manner of Acting states "Except as otherwise provided by statute, by the Articles of Incorporation or by these By-Laws, a majority of the number of directors specified in the Articles of Incorporation shall constitute a quorum for the transaction of business at any meeting, and the act of a majority of the directors present at any meeting at which there is a quorum shall be valid as a corporate act. In the absence of a quorum, a majority of the directors present may adjourn any meeting from time to time until a quorum be had. Notice of any adjourned meeting need not be given."

4) Access to Information

(a) How many days in advance are board papers[5] for board of directors meetings provided to the board?

[5] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The Board shall be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties and responsibilities.

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

The corporate secretary shall:
1. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees; as well as the official records of the corporation
2. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval
3. Attend all Board meetings, except when justifiable causes, such as illness, death, in the immediate family and serious accidents, prevent him from doing so.
4. Ensure that all Board procedures, rules and regulations are strictly followed by the members

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [X] No [ ]

| Committee | Details of the procedures |
|---|---|
| Executive | The Committee shall be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties and responsibilities. |
| Audit | The Committee shall be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties and responsibilities. |
| Nomination | The Committee shall be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties and responsibilities. |
| Remuneration | The Committee shall be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties and responsibilities. |
| Others (specify) | |

5) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

| Procedures | Details |
|---|---|
| To enable the Board to properly fulfill their duties and responsibilities, they are provided with complete and timely information about the matters in the agenda of the meetings. Directors are given independent access to management and the Corporate Secretary, as well as to independent professional advice when the need arises. | |

6) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

| Existing Policies | Changes | Reason |
|---|---|---|
| N/A | | |
| | | |

## D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

| Process | CEO | Top 4 Highest Paid Management Officers |
|---|---|---|
| (1) Fixed remuneration | Refer to the Revised Manual of the Corporate Governance. The Compensation and Remuneration Committee shall designate amount of remuneration which shall be in a level sufficient to attract directors, executives and other key senior personnel needed to run the Corporation successfully. | Refer to the Revised Manual of the Corporate Governance. The Compensation and Remuneration Committee shall designate amount of remuneration which shall be in a level sufficient to attract directors, executives and other key senior personnel needed to run the Corporation successfully |
| (2) Variable remuneration | N/A | N/A |
| (3) Per diem allowance | N/A | N/A |
| (4) Bonus | N/A | N/A |
| (5) Stock Options and other financial instruments | N/A | N/A |
| (6) Others (specify) | N/A | N/A |

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

| | Remuneration Policy | Structure of Compensation Packages | How Compensation is Calculated |
|---|---|---|---|
| Executive Directors | Each director is entitled to a transportation allowance of P5,000 per board meeting attended to cover transportation expenses. | None | NA |
| Non-Executive Directors | Each director is entitled to a transportation allowance of P5,000 per board meeting attended to cover transportation expenses. | None | NA |

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

| Remuneration Scheme | Date of Stockholders' Approval |
|---|---|
| None | NA |
| | |

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year: (2014)

| Remuneration Item | Executive Directors | Non-Executive Directors (other than independent directors) | Independent Directors |
|---|---|---|---|
| (a) Fixed Remuneration | 2,205,000 | N/A | N/A |
| (b) Variable Remuneration | N/A | N/A | N/A |
| (c) Per diem Allowance | 40,000 | 20,000 | 30,000 |
| (d) Bonuses | N/A | N/A | N/A |
| (e) Stock Options and/or other financial instruments | N/A | N/A | N/A |
| (f) Others (Specify) | N/A | N/A | N/A |
| **Total** | 2,245,000 | 20,000 | 30,000 |

| Other Benefits | Executive Directors | Non-Executive Director (other than independent directors) | Independent Directors |
|---|---|---|---|
| 1) Advances | N/A | N/A | N/A |
| 2) Credit granted | N/A | N/A | N/A |
| 3) Pension Plan/s Contributions | N/A | N/A | N/A |
| (d) Pension Plans, Obligations incurred | N/A | N/A | N/A |
| (e) Life Insurance Premium | 30,804 | N/A | N/A |
| (f) Hospitalization Plan | 11,591 | N/A | N/A |
| (g) Car Plan | N/A | N/A | N/A |
| (h) Others (Specify) Dues and Subscription | 109,539 | N/A | N/A |
| **Total** | 151,934 | N/A | N/A |

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

| Director's Name | Number of Direct Option/Rights/ Warrants | Number of Indirect Option/Rights/ Warrants | Number of Equivalent Shares | Total % from Capital Stock |
|---|---|---|---|---|
| NA | NA | NA | NA | |
| | | | | |

NONE. There are no option grants outstanding held by directors and officers as of December 31, 2014.

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

| Incentive Program | Amendments | Date of Stockholders' Approval |
|---|---|---|
| NA | NA | NA |
| | | |

NONE. There are no amendments and/or discontinuation of any incentive programs during the year.

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year: (2014)

| Name of Officer/Position | Total Remuneration |
|---|---|
| Jackson T. Ongsip | 91,000 |
| | |

## E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

| Committee | No. of Members | | | Committee Charter | Functions | Key Responsibilities | Power |
|---|---|---|---|---|---|---|---|
| | Executive Director (ED) | Non-executive Director (NED) | Independent Director (ID) | | | | |
| Executive | 3 | 1 | 0 | None. Refer to Manual on Corporate Governance submitted on February 15, 2011. | The executive committee may act, by majority vote of all its members, on such specific | The executive committee may act, by majority vote of all its members, on such specific matters within the competence | The executive committee may act, by majority vote of all its members, on such specific matters within |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | And Article V of the Company's By-laws | matters within the competence of the board, as may be delegated to it in the by-laws or on a majority vote of the board except with respect to:<br>1. Where stockholders approval is also needed<br>2. Fill vacancies in the board<br>3.Amend or repeal by-laws or adopt new by-laws<br>4. Amend or repeal resolutions of the Board where the resolution by express terms is not so amendable or repealable by the Committee<br>5. Distribution of cash dividends. | of the board, as may be delegated to it in the by-laws or on a majority vote of the board except with respect to:<br>1. Where stockholders approval is also needed<br>2. Fill vacancies in the board<br>3.Amend or repeal by-laws or adopt new by-laws<br>4. Amend or repeal resolutions of the Board where the resolution by express terms is not so amendable or repealable by the Committee<br>5. Distribution of cash dividends. | the competence of the board, as may be delegated to it in the by-laws or on a majority vote of the board except with respect to:<br>1. Where stockholders approval is also needed<br>2. Fill vacancies in the board<br>3.Amend or repeal by-laws or adopt new by-laws<br>4. Amend or repeal resolutions of the Board where the resolution by express terms is not so amendable or repealable by the Committee<br>5. Distribution of cash dividends. |
| Audit | 0 | 2 | 1 | Refer to Audit Committee Charter submitted on November 14, 2012 | The Committee assists and advices the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's accounting, financial | Oversight responsibility in 8 major domains:<br>1. Financial Statements and Reporting<br>2. Internal Control<br>3. Internal Audit<br>4. External audit<br>5. Compliance<br>6. Risk Management<br>7. Reporting Responsibilities | Appointment and evaluation of the performance of the external auditor, head of internal audit and Chief reisk officer<br><br>Seek information it requires from Management and all other |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | reporting, auditing practices, risk management and internal control system and adherence to over-all corporate governance best practices. | 8. Assessment of Committee Charter, evaluation of committee members, and perform activities as delegated by the board. | employees<br><br>Gain access to all records, properties, assets and personnel<br><br>Review of the scope of work of the auditors<br><br>Investigate any activities within its scope of responsibilities. |
| Nomination | 1 | 1 | 1 | None. Refer to Manual on Corporate Governance submitted on February 15, 2011 | Review and Evaluation of the qualification of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election and replacement of officers | Review and Evaluation of the qualification of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election and replacement of officers | Review and Evaluation of the qualification of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election and replacement of officers |
| Remuneration | 2 | 1 | 0 | None. Refer to Manual on Corporate Governance submitted on February 15, 2011 | Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent | Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's | Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | with the corporation's culture, strategy and the business environment in which it operates. | culture, strategy and the business environment in which it operates. | culture, strategy and the business environment in which it operates. |
| Risk Management Committee | 0 | 2 | 1 | | | | |

2) Committee Members

(a) Executive Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|
| Chairman | Willy N. Ocier | September 22, 2014 | None | None | | 1 year |
| Member (ED) | Frederic C. DyBuncio | September 22, 2014 | None | None | | 1 year |
| Member (ED) | Bernardo D. Lim | September 22, 2014 | None | None | | 1 year |
| Member (NED) | Virginia A. Yap | September 22, 2014 | None | None | | 1 year |

(b) Audit Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|
| Chairman(ID) | Tomas D. Santos | September 22, 2014 | 1 | 1 | 100 | 1 year |
| Member (NED) | Virginia A. Yap | September 22, 2014 | 1 | 1 | 100 | 1 year |
| Member (ED) | Bernardo D. Lim | September 22, 2014 | 1 | 1 | 100 | 1 year |

Disclose the profile or qualifications of the Audit Committee members.

**TOMAS D. SANTOS**

Mr. Santos, a Filipino, is also 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. Yap, Filipino, is also a director of Belle 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.

**BERNARDO D. LIM**

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.

Describe the Audit Committee's responsibility relative to the external auditor.

The Audit Committee assists and advises the Board of Directors (the "Board") in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's accounting, financial reporting, auditing practices, risk management and internal control system and adherence to over-all corporate governance best practices. It shall:

1. Review the external auditors' proposed audit scope and approach
2. Review and confirm the independence of the external auditors by obtaining certification from the latter relative to overall relationship with the Company including non-audit services.
3. Resolve any disagreement between Management and the external auditors regarding financial reporting.
4. On a regular basis, meet separately with the external auditors to discuss any matter that the Committee or auditors believe should be discussed privately.

(c) Nomination Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|
| Chairman (NED) | Edmundo L. Tan | September 22, 2014 | 1 | 1 | 100 | 1 year |
| Member (ID) | Tomas D. Santos | September 22, 2014 | 1 | 1 | 100 | 1 year |
| Member (NED) | Virginia A. Yap | September 22, 2014 | 1 | 1 | 100 | 1 year |

(d) Compensation and Remuneration Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|
| Chairman (ED) | Williy N. Ocier | September 22, 2014 | None | None | 0 | 1 year |
| Member (NED) | Edmundo L. Tan | September 22, 2014 | None | None | 0 | 1 year |
| Member (NED) | Virginia A. Yap | September 22, 2014 | None | None | 0 | 1 year |

(e) Risk Management Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|
| Chairman (ID) | Tomas D. Santos | September 22, 2014 | None | None | 0 | 1 year |
| Member (NED) | Virginia A. Yap | September 22, 2014 | None | None | 0 | 1 year |
| Member (NED) | Bernardo D. Lim | September 22, 2014 | None | None | 0 | 1 year |

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

| Name of Committee | Name | Reason |
|---|---|---|
| Executive | NA | |
| Audit | NA | |
| Nomination | NA | |
| Remuneration | NA | |
| Risk Management | NA | |

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

| Name of Committee | Work Done | Issues Addressed |
|---|---|---|
| Executive | Relevant matters in achieving company's strategic goals are implemented and any issues are resolved | No significant issues |
| Audit | Review of the financial statements | Same as above |
| Nomination | Review and evaluation of the qualifications of directors. | Same as above |
| Remuneration | None | Same as above |
| Risk Management | None | Same as above |

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

| Name of Committee | Planned Programs | Issues to be Addressed |
|---|---|---|
| Executive | Adequate planning are conducted and strategies to address issues are made | No significant issues |
| Audit | Adequate planning are conducted and strategies to address issues are made | No significant issues |
| Nomination | Adequate planning are conducted and strategies to address issues are made | No significant issues |
| Remuneration | Adequate planning are conducted and strategies to address issues are made | No significant issues |
| Risk Management | Adequate planning are conducted and strategies to address issues are made | No significant issues |

## F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Audit Committee reviews annually the effectiveness of the Company's risk management system. The Committee reviews the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks, including management's reduction and mitigation plan to sufficiently and swiftly manage major financial and business risk exposures.

For the year ended December 31, 2014, effective and adequate risk management mechanisms are in place, implemented and properly complied in all levels.

(c) Period covered by the review;

The Audit Committee reviews annually the effectiveness of the Company's risk management system.

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The Audit Committee reviews annually the effectiveness of the Company's risk management system. The Committee reviews the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks, including management's reduction and mitigation plan to sufficiently and swiftly manage major financial and business risk exposures.

(e) Where no review was conducted during the year, an explanation why not.

N/A

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

| Risk Exposure | Risk Management Policy | Objective |
|---|---|---|
| <u>Economic and Political Conditions</u><br>The Company's business is mainly the acquisition of investments, which are generally influenced by Philippine political and economic conditions. Events and conditions that may have a negative impact on the Philippine economy as a whole may also adversely affect the Company's ability to acquire various investments. | The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives.<br><br>In order to mitigate risk exposures, the Company continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.<br><br>In addition, the Audit Committee is tasked to perform and carry out the following responsibilities related to Risk Management:<br>1) Review the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks.<br>2) Ensure that management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring. | |
| <u>Changes to the Philippine Laws and Regulations</u><br>Although laws and | | |

| | |
|---|---|
| regulations are enacted for the common benefit, changes to these laws and regulations may create negative effects to the operating and financial condition of the Company, including the subsidiaries and affiliates. | 3) Advise the Board, in consultation with management, on the overall risk management program of the Company as it relates to its risk appetite and strategic direction.<br>4) May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice.<br>5) Meet separately with the Chief Risk Officer to discuss any matters that the Committee or auditors believe should be discussed privately.<br>6) Review the details of the Company's related party transactions. |

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

| Risk Exposure | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|---|---|---|
| **Economic and political conditions**<br>**Competition**<br>**Changes in local and international interest rate**<br>**Changes in the value of the peso**<br>**Contractors and suppliers**<br>**Government regulations**<br>**Changes to the Philippine laws and regulations** | The Group has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Group aligns its risk appetite with its long-term strategic objectives.<br><br>In order to mitigate risk exposures, the Group continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.<br><br>In addition, the Audit Committee is tasked to perform and carry out the following responsibilities related to Risk Management:<br>1) Review the adequacy and effectiveness of the Group's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks.<br>2) Ensure that management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring.<br>3) Advise the Board, in consultation with management, on the overall risk management program of the Group as it relates to its risk appetite and strategic direction.<br>4) May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice.<br>5) Meet separately with the Chief Risk Officer to discuss any matters that the Committee or auditors believe should be discussed privately.<br>6) Review the details of the Group's related party transactions. | |

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

| Risk to Minority Shareholders |
|---|
| Majority shareholders may dominate major Company decisions |
| Lack of transparency on the actions and decisions of majority shareholders |
| Abusive and inequitable conduct on the part of majority shareholders |
| Rights of minority shareholders may not be upheld and protected |

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

| Risk Exposure | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|---|---|---|
| **Economic and political conditions**<br>**Changes to the Philippine laws and regulations** | The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives.<br><br>In order to mitigate risk exposures, the Company continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.<br><br>In addition, the Audit Committee is tasked to perform and carry out the following responsibilities related to Risk Management:<br>1) Review the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks.<br>2) Ensure that management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring.<br>3) Advise the Board, in consultation with management, on the overall risk management program of the Company as it relates to its risk appetite and strategic direction.<br>4) May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice.<br>5) Meet separately with the Chief Risk Officer to discuss any matters that the Committee or auditors believe should be discussed privately.<br>6) Review the details of the Company's related party transactions. | |

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

| Risk Exposure | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|---|---|---|
| **Economic and political conditions**<br>**Competition**<br>**Changes in local and international interest rate**<br>**Changes in the value of the peso**<br>**Contractors and suppliers**<br>**Government regulations**<br>**Changes to the** | The Group has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Group aligns its risk appetite with its long-term strategic objectives.<br><br>In order to mitigate risk exposures, the Group continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.<br><br>In addition, the Audit Committee is tasked to perform and carry out the following responsibilities related to Risk Management: | |

| | |
|---|---|
| **Philippine laws and regulations** | 1. Review the adequacy and effectiveness of the Group's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks.<br>2. Ensure that management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring.<br>3. Advise the Board, in consultation with management, on the overall risk management program of the Group as it relates to its risk appetite and strategic direction.<br>4. May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice.<br>5. Meet separately with the Chief Risk Officer to discuss any matters that the Committee or auditors believe should be discussed privately.<br>6. Review the details of the Group's related party transactions. |

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

<table>
<tr><th>Committee/Unit</th><th>Control Mechanism</th><th>Details of its Functions</th></tr>
<tr><td>Audit Committee</td><td colspan="2">The Committee is tasked to perform and carry out the following responsibilities related to Risk Management:<br>1) Review the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks.<br>2) Ensure that Management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring.<br>3) Advise the Board, in consultation with Management, on the overall risk management program of the Company as it relates to its risk appetite and strategic direction.<br>4) May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice.<br>5) Meet separately with the Chief Risk Officer to discuss any matters that the Committee or auditors believe should be discussed privately.<br>6) Review the details of the Company's related party transactions.</td></tr>
</table>

## G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

The control environment of the corporation consists of (a) the Board which ensures that the corporation is properly and effectively managed and supervised; (b) a Management that actively manages and operates the corporation in a sound and prudent manner: (c) the organizational and procedural controls supported by effective management information and risk management reporting systems, and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the corporation's governance, operation, and information system, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and controls.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Audit Committee reviews annually the effectiveness of the Company's internal control system, including information technology security and controls. To facilitate their review, the Committee understands and evaluates the scope of the internal and external auditors' review of internal controls over financial reporting, and obtains regular reports on significant findings and recommendations, together with management's responses, to obtain reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with.

(c) Period covered by the review;

The Audit Committee reviews annually the effectiveness of the Company's internal control system, including information technology security and controls.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

The Audit Committee reviews annually the effectiveness of the Company's internal control system, including information technology security and controls. To facilitate their review, the Committee understands and evaluates the scope of the internal and external auditors' review of internal controls over financial reporting, and obtains regular reports on significant findings and recommendations, together with management's responses, to obtain reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with.

The scope and the particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risks; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

(e) Where no review was conducted during the year, an explanation why not.

N/A

2) Internal Audit

(a) Role, Scope and Internal Audit Function.
Give a general description of the role, scope of internal audit work and other details of the internal audit function.

| Role | Scope | Indicate whether In-house or Outsource Internal Audit Function | Name of Chief Internal Auditor/Auditing Firm | Reporting process |
|---|---|---|---|---|
| **The Audit Committee assists and advises the** | **The Audit Committee is duty-bound to perform and carry** | In-house | **Rhea Marie R. Abueg** | **The Internal Audit Head, in the discharge of her** |

| | | | | |
|---|---|---|---|---|
| **Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's accounting, financial reporting, auditing practices, risk management and internal control systems and adherence to over-all corporate governance best practice. The Committee also oversees the Company's process for monitoring compliance with laws, regulations, the Code of Discipline, and performs other duties as the Board may require.** | **out the following responsibilities, categorized under the following major domains:<br>a. Financial Statements and Reporting;<br>b. Internal Control;<br>c. Internal Audit;<br>d. External Audit;<br>e. Compliance;<br>f. Risk Management;<br>h. Reporting Responsibilities<br>i. Other responsibilities such as, 1) perform other activities related to the Audit Charter as required by the Board; 2) Review and assess the adequacy of the Committee Charter annually, requesting Board approval for any proposed changes, and ensure appropriate disclosure as may be required by law or regulation; 3) Evaluate the Committee's and individual members' performance on a regular basis.** | | | **duties, shall be accountable to Audit Committee and the Senior Management to:<br>a. Provide annually an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.<br>b. Report significant issues related to the processes for controlling the activities of the organization and its subsidiaries, including potential improvements to those processes and provide information concerning such issues through resolution.<br>c. Periodically provide information on the status and results of the annual audit plan and the sufficiency of department resources.<br>d. Coordinate with and provide oversight of other control and monitoring functions (risk management,** |

| | | | | |
|---|---|---|---|---|
| | | | | **compliance, security, legal ethics, environmental, external audit)** |

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

YES. Under the Company's Revised Manual on Corporate Governance, the Audit Committee is tasked to organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagements and removal.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

Yes, the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

| Name of Audit Staff | Reason |
|---|---|
| N/A | |
| | |

NONE. There were no resignations/reassignment of internal audit staff during the period.

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

| | |
|---|---|
| **Progress Against Plans** | Internal audit engagements are conducted in accordance with the audit plan and timetable approved by the Audit Committee. |
| **Issues**[6] | Issues and findings noted during the audit were given appropriate attention by management and recommendations were implemented accordingly. Significant findings and recommendations, together with management's responses, are reported to the Audit Committee to enable the Committee to obtain reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with. |
| **Findings**[7] | |
| **Examination Trends** | |

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

**1)** Preparation of an audit plan inclusive of a timeline and milestones;

**2)** Conduct of examination based on the plan;

[6] "Issues" are compliance matters that arise from adopting different interpretations.

[7] "Findings" are those with concrete basis under the company's policies and rules.

**3)** Evaluation of the progress in the implementation of the plan;
**4)** Documentation of issues and findings as a result of the examination;
**5**) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year to-year results;
**6)** Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

| Policies & Procedures | Implementation |
|---|---|
| Internal controls over financial reporting | Implemented |
| Segregation of duties | Implemented |
| Authorization of transactions | Implemented |
| Retention of records | Implemented |
| Supervision or monitoring of operations | Implemented |
| Physical safeguards | Implemented |
| IT general and application controls | Implemented |

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

<table>
<tr><th>Auditors<br>(Internal and External)</th><th>Financial Analysts</th><th>Investment Banks</th><th>Rating Agencies</th></tr>
<tr><td>External auditor should be rotated or change every five years or earlier, or the signing partner of the external auditing firm assigned to the corporation should be change with the same frequency.<br><br>The internal auditor directly report to the audit committee.</td><td colspan="2">The Company aims to conduct business in accordance with the highest standards of business ethics. To this end, all business dealings should be compliant with all applicable laws and must not in any way compromise the good name and reputation of the Company.<br><br>All directors, officers and employees shall act with utmost integrity and shall not engage in unfair dealing practices. The Company prohibits any conflict of interest, unfair competition, breach of trust, insider trading, or any other act inimical to the Company's interest.</td><td>N/A</td></tr>
</table>

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

1. Frederic C. DyBuncio (CEO and President)
2. Willy N. Ocier (Chairman)

**H. ROLE OF STAKEHOLDERS**

**1)** Disclose the company's policy and activities relative to the following:

| | Policy | Activities |
|---|---|---|
| Customers' welfare | N/A | |
| Supplier/contractor selection practice | The Company observes propriety and acts with fairness and transparency in dealing with business partners (i.e., contractors, suppliers, creditors and other entities that engage in business with the Company). The Company adheres to its principles of healthy competition, equal opportunity and fair treatment of business partners. | |
| Environmentally friendly value-chain | The Company ensures the environmental friendliness of its operations, and contributes to the overall sustainability of the physical environment where the Company operates. The Company is committed to the protection of the environment and complies with all applicable environmental laws and regulations. | |
| Community interaction | The Company respects relevant laws and/or regulations in the community where the Company operates. Compliance with those laws and regulations is strictly monitored to prevent any damage to the quality of life of society, surrounding communities and the environment. | |
| Anti-corruption programmers and procedures? | The Company's whistle blower policy was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Under the policy, any stakeholder may submit an incident report on suspected or actual violations of the Code of Ethics and Discipline or any other applicable law or regulation. Upon receipt of an incident report, management is tasked to conduct an investigation on its merit, subject to due process and applicable penalties and sanctions thereafter. Anyone who in good faith reports a violation of the Code or policies or law shall not be retaliated upon or suffer harassment or adverse employment consequence. | |
| Safeguarding creditors' rights | The Company observes propriety and acts with fairness and transparency in dealing with business partners (i.e., contractors, suppliers, creditors and other entities that engage in business with the Company). The Company adheres to its principles of healthy competition, equal opportunity and fair treatment of business partners.<br><br>The Company strictly respects agreements with creditors, manages loans according to lending objectives, ensures timely repayment of loans and interests, thoroughly honors loan conditions as agreed and competently operates the business to assure creditors about the Company's healthy | |

| | | |
|---|---|---|
| | financial standing and loan repayment capabilities. | |

**2)** Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

None.

**3)** Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

The company grants health care benefits which includes hospitalization, medical and dental care, and group term life insurance cover which pays a benefit in case of death or permanent disability.

(b) Show data relating to health, safety and welfare of its employees.

| | **No. of Employees Covered** | **Total coverage** | **Name of Insurer** |
|---|---|---|---|
| Healthcare Insurance | 5 | 900,000 | Valucare |
| Life Insurance | 5 | 2,500,000 | Generali Philippines |

(c) State the company's training and development programmers for its employees. Show the data.

The Company grants an annual budget for each employee to attend training and development programs.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The company does not have a reward compensation policy beyond what is mandated by law.

**4)** What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviors? Explain how employees are protected from retaliation.

Consistent with APC GROUP, Inc.'s commitment to professional ethics and traditional values, the Company expects its directors, officers, employees and contract workers to observe high standards of business and personal ethics in the conduct of their duties and responsibilities at all times inside and outside the Company.
Everyone is expected to help and work towards creating an environment where concerns can be raised for possible violations of our Code of Discipline, policies and laws so they can be resolved sooner than later.
It is the responsibility of all directors, officers, employees and contract workers to comply with and to report violations of the Code of Discipline, policies, or laws. Violations or suspected violations of Company policies can be escalated to any of the following:
1. The Head of Human Resources
2. The Compliance Officer
3. The Head of Internal Audit

Anyone who in good faith reports a violation of the Code or polices, or law shall not be retaliated upon or suffer harassment of adverse employment consequences. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

**I. DISCLOSURE AND TRANSPARENCY**

**1)** Ownership Structure

**(a)** Holding 5% shareholding or more

| Shareholder | Number of Shares | Percent | Beneficial Owner |
|---|---|---|---|
| Belle Corporation | 3,500,000,000 | 46.59% | |
| PCD Nominee Corp. (Filipino) | 1,777,456,702 | 23.66% | The beneficial owners of the shares registered under the name of PCDN are Philippine Central Depository (PCD) participants who hold shares in their own behalf or in behalf of their clients. |
| PCD Nominee Corp. (Non-Filipino) | 396,329,463 | 5.28% | Same as above |

| Name of Senior Management | Number of Direct shares | Number of Indirect shares / Through (name of record owner) | % of Capital Stock |
|---|---|---|---|
| WILLY N. OCIER | 310,001 | 1,897,000 | 0.03% |
| FREDERIC C. DYBUCIO | 1 | 0 | 0 |
| BERNARDO D. LIM | 1,000 | 0 | 0 |
| **TOTAL** | **311,002** | 1,897,000 | **0.03%** |

**2)** Does the Annual Report disclose the following:

| | |
|---|---|
| Key risks | YES |
| Corporate objectives | YES |
| Financial performance indicators | YES |
| Non-financial performance indicators | YES |
| Dividend policy | YES |
| Details of whistle-blowing policy | YES |
| Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners | YES |
| Training and/or continuing education programme attended by each director/commissioner | YES |
| Number of board of directors/commissioners meetings held during the year | NO |
| Attendance details of each director/commissioner in respect of meetings held | NO |
| Details of remuneration of the CEO and each member of the board of directors/commissioners | YES |

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

Items not disclosed above were not included in the annual report but have been separately submitted to the SEC.

**3)** External Auditor's fee

| Name of auditor | Audit Fee | Non-audit Fee |
|---|---|---|
| **SGV & Co.** | **420,000** | |

| | | |
|---|---|---|
| | | |

**4)** Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

Email / odisy / telephone / fax / letter / correspondence

**5)** Date of release of audited financial report: 28 March 2014.

**6)** Company Website: www.apcaragorn.net

Does the company have a website disclosing up-to-date information about the following?

| | |
|---|---|
| Business operations | **yes** |
| Financial statements/reports (current and prior years) | **yes** |
| Materials provided in briefings to analysts and media | **Yes** |
| Shareholding structure | **Yes** |
| Group corporate structure | **yes** |
| Downloadable annual report | **yes** |
| Notice of AGM and/or EGM | **yes** |
| Company's constitution (company's by-laws, memorandum and articles of association) | **yes** |

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

N/A

**7) Disclosure of RPT**

| RPT | Relationship | Nature | Value |
|---|---|---|---|
| **ADVANCES FROM RELATED PARTIES** | | | |
| Belle Corporation | Parent | Advances from Parent | 79,406,947 |

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The Company practices full disclosure of details of related-party transactions. The nature, extent and all other material details of transactions with related parties are disclosed in the Company's financial statements and quarterly and annual reports to the SEC and PSE.

Management regularly presents the details of transactions entered into by the Company with related parties at the meetings of the Audit Committee. This is to ensure that the Company conducts all related party transactions on an arm's length basis.

**J. RIGHTS OF STOCKHOLDERS**

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

| **Quorum Required** | 51% |
|---|---|

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

| **System Used** | Board Approval and Stockholders meeting |
|---|---|
| **Description** | Initially, a particular corporate act (requiring stockholders approval) has to be approved by the majority of the members of the Board. Then, the corresponding board resolution is ratified by the stockholders through either a simple majority or 2/3 of the outstanding capital stock, depending on the nature of the corporate act involved. |

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

| **Stockholders' Rights under The Corporation Code** | **Stockholders' Rights not in The Corporation Code** |
|---|---|
| Right to vote on all matters that require their consent or approval | N/A |
| Pre-emptive right to all stock issuances of the corporation | |
| Right to inspect corporate books and records | |
| Right to information | |
| Right to dividends | |
| Appraisal right | |

Dividends

| Declaration Date | Record Date | Payment Date |
|---|---|---|
| Dividends shall be declared only from the surplus profit and shall be payable at such time and in such manner and in such amounts amount as the Board of Directors shall determine. No dividends shall be declared which would impair the capital of the Corporation. The Company has not declared any dividends on common stock since the time it was incorporated. The Company is not in a position to declare cash dividends because of its huge deficit. | N/A | N/A |

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

| **Measures Adopted** | **Communication Procedure** |
|---|---|
| Notice of the Annual Stockholders' Meeting was given to all stockholders at least 21 business days before the meeting to provide stockholders with enough time to examine the information. The Notice enclosed essential and adequate facts on | • Notice of the Annual Stockholders' Meeting<br>• SEC Form 20-IS |

| | |
|---|---|
| all items on the agenda for consideration and approval of the stockholders.<br><br>As provided for in the Company's Revised Manual on Corporate Governance, minority stockholders have the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes. | |
| To facilitate stockholders who cannot attend the meeting, they are encouraged to fill out, date, sign and send a proxy. For corporate stockholders, the proxies should be accompanied by a Secretary's Certificate on the appointment of the corporation's authorized signatory. | • Notice of the Annual Stockholders' Meeting<br>• SEC Form D20-IS |
| To ensure that all stockholders' concerns are properly addressed, the Chairman of the Board, Board Directors, the President, Board Committee Chairmen and Members, Senior Management, Corporate Secretary and the Independent Auditors are always present during the Annual Stockholders' Meeting. The meeting agenda provides an opportunity for stockholders to freely express their views and raise their concerns at the meeting. | • Notice of the Annual Stockholders' Meeting<br>• SEC Form D20-IS |

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
   a. Amendments to the company's constitution
      The vote or assent of the stockholders representing at least 2/3 of outstanding capital stock is needed to pass the amendment.
   b. Authorization of additional shares
      The vote of 2/3 of the stockholders representing at least 2/3 of outstanding capital stock is needed to pass the amendment.
   c. Transfer of all or substantially all assets, which in effect results in the sale of the company
      The vote of 2/3 of the stockholders representing at least 2/3 of outstanding capital stock is needed to pass the amendment.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? Yes

   a. Date of sending out notices: September 1, 2014
   b. Date of the Annual/Special Stockholders' Meeting: September 22, 2014

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

   To ensure that all stockholders' concerns are properly addressed, the Chairman of the Board, Board Directors, the President, Board Committee Chairmen and Members, Senior Management, Corporate Secretary and the Independent Auditors are always present during the Annual Stockholders' Meeting. The meeting agenda provides an opportunity for stockholders to freely express their views and raise their concerns at the meeting.

   There were no questions raised by the stockholders during the Annual Stockholders' Meeting last September 22, 2014.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

| Resolution | Approving | Dissenting | Abstaining |
|---|---|---|---|
| 1. Approval of the minutes of the previous Meeting | 100% | None | None |
| 2. Approval of Year 2013 Operations and Financial Reports | 100% | None | None |

| | | | |
|---|---|---|---|
| 3. Ratification of All Acts and Proceedings of the Board of Directors, Executive Committee and Management | 100% | None | None |
| 4. Amendment of Third Article of the Articles of Incorporation pursuant to SEC Memorandum Circular No. 6 Series of 2014 | 100% | None | None |
| 5. Appointment of External Auditors | 100% | None | None |

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

   The results of the vote are immediately available during the meeting. The results of the votes taken on all resolutions were disclosed to the PSE before the close of the business day on September 22, 2014. The SEC was notified of the results of the elections of directors and appointment of officers on September 23, 2014.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

| Modifications | Reason for Modification |
|---|---|
| N/A | |
| | |
| | |

NONE. There were no modifications made in the Annual Stockholders' Meeting regulations during the recent year.

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

| Type of Meeting | Names of Board members / Officers present | Date of Meeting | Voting Procedure (by poll, show of hands, etc.) | % of SH Attending in Person | % of SH in Proxy | Total % of SH attendance |
|---|---|---|---|---|---|---|
| Annual | Bernardo D. Lim<br>Edmundo L. Tan<br>Virginia A. Yap<br>Tomas D. Santos<br>Laurito E. Serrano | Sept. 22, 2014 | By votes cast | 0.01% | 68.90% | 68.91% |
| Special | N/A | | | | | |

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? Yes

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares. Yes

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders'

Meeting.

| | Company's Policies |
|---|---|
| Execution and acceptance of proxies | Any stockholder not present at any annual or special meeting of the stockholders may vote the share or shares standing in his name on the stock transfer books of the Corporation by proxy, such proxy to be dated, signed and designate the person or persons named as proxy, and these proxies must be filed with the Secretary three (3) days before the date of the stockholders' meeting. |
| Notary | Not required |
| Submission of Proxy | 3 days before the date of the stockholder's meeting |
| Several Proxies | Where a proxy is given to several persons, they must agree upon the vote and in case of conflict, the rule of the majority of the three governs. |
| Validity of Proxy | The Proxy shall be valid only for the meeting for which it is intended, but no proxy shall be valid and effective for a period longer than five (5) years at any one time. |
| Proxies executed abroad | Must be consularized in the nearest Philippine embassy or Consulate abroad |
| Invalidated Proxy | Invalidation of proxies will not disenfranchise the stockholders who authorized proxy s they can personally vote after the invalidation of their proxies. |
| Validation of Proxy | The proxies submitted shall be validated by a Committee of Inspectors at the Office of the Corporation's, stock and transfer agent, Professional Stock Transfer, Inc. |
| Violation of Proxy | |

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

| Policies | Procedure |
|---|---|
| Except as otherwise provided by law, written or printed notice of all annual and special meeting by stockholders, starting the place and time of the meeting and, if necessary, the general nature of the business to be considered, shall be transmitted by personal delivery, mail, telegraph, facsimile or cable to each stockholder of record entitled to vote thereat at his address last known to the Secretary of the Corporation, at least ten (10) days before the date of the meeting, if an annual meeting, or at least (5) days before the date of the meeting, if a special meeting. Except where expressly required by law, no publication of any notice of a meeting of the stockholders shall be required. If any stockholder shall in person or by attorney-in-fact authorized in writing or by telegraph, cable or facsimile, waive notice of any meeting, whether before or after the holding of such meeting, notice need not be given to him. Notice of any adjourned meeting of the | • Board meeting to set record date<br>• Notify PSE of the record date of the stockholders' meeting<br>• Notify SEC re Board Meeting<br>• Record date of Stockholders' meeting<br>• Sent to PSE the list of stockholders entitled to attend and vote at the meeting.<br>• Submit to the SEC the Preliminary Information Statement together with the notice.<br>• Sent out the Definitive Information Statement (SEC Form 20-IS) together with the Notice, agenda, or other reports to the stockholders.<br>• Submit Nominations/Minutes of the Nomination Committee.<br>• Notify PSE on the date of the annual stockholders meeting. |

| | |
|---|---|
| stockholders shall not be given, except when expressly required by law. No failure or irregularity of notices of any regular meeting shall invalidate. | • Last day of receipt of proxy.<br>• Annual Stockholders' Meeting. |

(i) Definitive Information Statements and Management Report

| | |
|---|---|
| **Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials** | 613 |
| **Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners** | September 1, 2014 |
| **Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders** | September 1, 2014 |
| **State whether CD format or hard copies were distributed** | Hard Copies only |
| **If yes, indicate whether requesting stockholders were provided hard copies** | N/A |

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

| | |
|---|---|
| Each resolution to be taken up deals with only one item. | Yes |
| Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election. | Yes |
| The auditors to be appointed or re-appointed. | Yes |
| An explanation of the dividend policy, if any dividend is to be declared. | Yes |
| The amount payable for final dividends. | N/A |
| Documents required for proxy vote. | Yes |

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

| Policies | Implementation |
|---|---|
| The Board shall respect the right of the stockholders as provided for in the Corporation Code; namely;<br>(i) Right to vote on all matter that require their consent or approval.<br>(ii) Pre-emptive right to all stock issuances of the corporation.<br>(iii)Right to inspect corporate books and record;<br>(iv) Right to information<br>(v) Right to dividends; and<br>(vi) Appraisal right.<br><br>The Board should be transparent and fair in the conduct of the annual and special stockholders' meeting of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they | Implemented |

| | |
|---|---|
| should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of the right shall not be unduly restricted and any doubt about the validity of a proxy should be resolve in the stockholder's favor.<br><br>It is the duty of the Board to promote the right of the stockholders, remove impediments to the exercise of those right and provides an adequate avenue for them to seek timely redress for breach of their right.<br><br>The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders 'meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.<br><br>Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meeting and the items for discussion in the agenda that relate directly to the business of the corporation. | |

(b) Do minority stockholders have a right to nominate candidates for board of directors?

YES. Minority stockholders have a right to nominate candidates for the board of directors as provided for in the Revised Manual on Corporate Governance.

**K. INVESTORS RELATIONS PROGRAM**

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

Financial statements and results of operations are disclosed quarterly. Before submission to the PSE and SEC, these reports are presented to the Audit Committee and the Board of Directors for their review and approval. The Corporate Information Officer approves all disclosures that will be made available to the public.

Annual reports, financial statements and other disclosures may be viewed and downloaded from the PSE.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

| | **Details** |
|---|---|
| (1) Objectives | ▪ To assist investors in making investment decisions with regards to their shareholdings in the Company<br>▪ To guide analysts in formulating their forecasts and recommendations with regard to the valuation and prospects of the Company<br>▪ To provide the regulators, the media and the general public with the most current information about the Company, which will have a material impact on the company's overall growth and profitability<br>▪ To handle enquiries and manage relations with investors, analysts, shareholders and the general public |

| | |
|---|---|
| (2) Principles | ▪ Transparency and accountability to all existing and potential investors<br>▪ Fairness and level playing field for all stakeholders |
| (3) Modes of Communications | ▪ Annual reports, financial statements and other disclosures may be viewed and downloaded from the PSE.<br>▪ The Company conducts briefings and meetings with investors, analysts and the press to keep them updated on the Company's various projects and financial and operational results. |
| (4) Investors Relations Officer | Mr. Jackson T. Ongsip<br>Executive Vice President and Chief Finance Officer<br>Email: Jackson.ongsip@sminvestments.com<br>Telephone no.: 845-0614<br>Fax no.: 845-0259 |

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

Before any extraordinary transaction is finalized, the Company performs due diligence, benchmarking and cost-benefit analysis procedures to ensure that the transaction is in line with the long-term sustainability of the business and within the core competency of the Group. In addition, Board, stockholder and regulatory approvals are obtained first before such transaction is finalized.

The independent party to be appointed may vary depending on the type of the transaction (e.g., investment banks, external auditors, third party appraisers and legal and tax consultants).

L. **CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

Discuss any initiative undertaken or proposed to be undertaken by the company.

| Initiative | Beneficiary |
|---|---|
| Kalinga Geothermal Scholarship Program for School year 2014 (160) Scholars | Balatoc, Bangad, Dalupa-Ableg, Dananao, Dangtalan, Guina-Ang, Tinglayan, Tulgao and Uma Ancestral Domain |

**M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL**

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

| | Process | Criteria |
|---|---|---|
| **Board of Directors** | An independent party oversees the appraisal process which is conducted annually during one of the meetings of the Board of Directors. Appraisal forms are distributed to the directors to evaluate the performance of (1) individual directors, (2) the board as a whole, (3) board committees, and (4) the CEO/President. The independent party then collates and summarizes the appraisal forms and a summary report is presented to the Board. | 1. Independence<br>2. Leadership<br>3. Expertise<br>4. Corporate Governance |
| **Board Committees** | Same as above | 1. Independence |

| | | |
|---|---|---|
| | | 2. Leadership<br>3. Expertise<br>4. Corporate Governance |
| **Individual Directors** | Same as above | 1. Independence<br>2. Leadership<br>3. Expertise<br>4. Corporate Governance |
| **CEO/President** | Same as above | 1. Leadership<br>2. Integrity<br>**3.** Diligence |

## N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

| Violations | Sanctions |
|---|---|
| First Violation | The subject person shall be warned, reprimanded or suspended depending on the severity of the violation. Any first violation that results in any notable financial loss for the Company shall be at least reprimanded or suspended. |
| Second Violation | A second violation may require suspension depending on the gravity of violation. |
| Third Violation | The maximum penalty of removal from office may be imposed. When removed, the subject directors, officers, or staff of the Company or its subsidiaries and affiliates, shall not be granted additional benefits except those required by law. |
| | |

REPUBLIC OF THE PHILIPPINES)
**PASIG CITY** ) S.S.

## SECRETARY'S CERTIFICATE

I, **RICHARD ANTHONY D. ALCAZAR,** of legal age, Filipino and with office address at 2303A PSE Centre, East Tower, Exchange Road, Ortigas Center, Pasig City, after being duly sworn, hereby depose and state:

1. I am the Assistant Corporate Secretary of **APC GROUP, INC.** (the "Corporation"), a corporation duly organized and existing under Philippine laws and with office address at the 8th Floor, PhilCom Building, 8755 Paseo de Roxas, Makati City, Metro Manila.

2. In compliance with SEC Memorandum Circular No. 12, Series of 2014, the excerpts of the Board Resolutions and Minutes of Meetings producing the changes and updates in the Annual Corporate Governance Report for the calendar year 2014, are as follows:

2.1 Minutes of the Nomination Committee Meeting of 04 August 2014:

**NOMINATION OF INDEPENDENT DIRECTORS**

The Chairman explained that the meeting was called, in compliance with the requirements of the Code of Corporate Governance, Section 38 of the Securities Regulations Code, as amended, and the Securities and Exchange Commission's Guidelines on the Nomination and Election of Independent Directors (SEC Memorandum Circular No. 16, Series of 2002), to consider and evaluate the nominations received from certain shareholders of the Company in favor of possible candidates for election as independent director of the Company during the annual meeting of shareholders scheduled on 22 September 2014. Copies of the nomination letters from shareholders were, accordingly, circulated to the members of the Committee.

The following shareholders gave their nominations for independent directors:

| Nominating Shareholder | Nominee |
|---|---|
| MARTIN ISRAEL L. PISON | LAURITO E. SERRANO |
| MARITONI Z. LIWANAG | TOMAS D. SANTOS |

Acting on the nomination of Mr. Laurito E. Serrano, the Committee also took cognizance of his established reputation for probity, integrity, and competence, and agreed, upon motion duly made and seconded, to endorse his nomination to be elected as director.

Acting on the nomination of Mr. Tomas D. Santos, the Committee likewise, noting his unquestionable reputation for probity, integrity, competence, agreed, upon motion duly made and seconded, to endorse his nomination to be re-elected as Director. Mr. Santos did not take part in the voting and during the deliberation of his nomination.

**NOMINATION OF OTHER DIRECTORS**

The Committee likewise received nominations from several stockholders. The following were nominated for re-election as Directors of the Corporation:

WILLY N. OCIER
BERNARDO D. LIM
FREDERIC C. DYBUNCIO
EDMUNDO L. TAN
VIRGINIA A. YAP

Acting on the nominations, the Committee, likewise noting the nominees' unquestionable reputation for probity, integrity, and competence, agreed, upon motion duly made and seconded, to endorse the nominations of Mr. Willy N. Ocier, Bernardo D. Lim, Edmundo L. Tan, Frederic C. DyBuncio , and Virgina A. Yap, to be re-elected as Directors. Mr. Tan did not take part in the voting and during the deliberation of his nomination.

The nominees have accepted their respective nominations.

2.3 Minutes of the Annual Stockholders Meeting held on 22 September 2014:

"2.0 **PROOF OF NOTICE OF MEETING**

The Chairman of the Meeting called upon Atty. Richard Anthony D. Alcazar, the Assistant Corporate Secretary, to show proof that notices of the meeting had been sent to the stockholders of record as of 07 August 2014. Forthwith, the Assistant Corporate Secretary presented a *Certification* from Cavatas MSI Express Service, Inc. showing that the notices of the meeting were sent to the stockholders of record in accordance with the Corporation's By-Laws. Upon the instruction of the Chairman of the Meeting, the *Certification* attesting to the delivery of the notices was appended to the original copy of the Minutes of the Meeting.

3.0 **CERTIFICATION OF QUORUM**

The Assistant Corporate Secretary certified that out of SEVEN Billion Five Hundred Eleven Million Eight Hundred Nine Thousand Nine Hundred Ninety Seven (7,511,809,997) shares of the total outstanding capital stock of the Corporation, there were present in person and by proxy Five Billion One Hundred Seventy-Seven Million Six Million Six Hundred Seventeen Thousand Six Hundred Sixteen (5,177,617,616) shares, representing an attendance Sixty-Eight Percent Point Ninety One (68.91%) of the total outstanding capital stock of the Corporation. Accordingly, the Assistant Corporate Secretary certified that a quorum existed for the transaction of the business at hand.

## 7.0 AMENDMENT OF THIRD ARTICLE OF THE ARTICLES OF INCORPORATION PURSUANT TO SEC MEMORANDUM CIRCULAR NO. 6 SERIES OF 2014

The Chairman of the Meeting announced that the next item in the agenda is the approval of the Amendment of Third Article of the Company's Articles of Incorporation pursuant to SEC Memorandum Circular No. 6, Series of 2014, to specify the complete address of the principal office, which shall include street number, street name, barangay, city or municipality and, if applicable, building/unit name and number.

Upon motion duly made and seconded, the following resolution of the Board was approved and ratified by the stockholders:

RESOLVED, that the THIRD Article of the Articles of Incorporation be amended, to read as follows:

'***THIRD***. – That the place where the principal office of the corporation is to be established or located is at the **8th Floor, PhilCom Building, 8755 Paseo de Roxas, Makati City.**

## 8.0 ELECTION OF DIRECTORS

The Chairman of the Meeting announced that the next item in the agenda is the election of the members of the Board of Directors for the ensuing year.

The Assistant Corporate Secretary explained that under Section 2, Article IV of the Corporation's By-Laws, the "directors of the Corporation numbering seven (7) shall be elected annually and each director shall hold office for the ensuing year and until his successor shall have been elected and qualified. The Nomination Committee received nominations in favor of the following stockholders as Directors of the Corporation for the ensuing year:

Willy N. Ocier
Frederic C. DyBuncio
Bernardo D. Lim
Tomas D. Santos *(Independent)*
Laurito E. Serrano *(Independent)*
Edmundo L. Tan
Virginia A. Yap

Since there were no other nominations, and there were as many nominees as there were seats to be filled. the Chairman of the Meeting instructed the Asst. Corporate Secretary to cast all votes in favor of the stockholders duly nominated who were therefore deemed elected as Directors of the Corporation for the year 2014-2015 in the order enumerated, until their successors shall have been duly elected and qualified.

9.0 **APPOINTMENT OF EXTERNAL AUDITOR**

Upon motion duly made and seconded, the auditing firm of Sycip Gorres Velayo & Company was retained as the Corporation's external auditor."

2.4 Minutes of the Organizational Meeting of the Board of Directors held on 22 September 2014:

"3.0 **ELECTION OF OFFICERS**

The Chairman stated that the purpose of the meeting is to elect the officers of the Corporation who would serve for the year 2014-2015 and until their successors are duly elected and qualified. It was pointed out that at the just concluded annual stockholders' meeting, the following were elected directors for the year 2014-2015:

Willy N. Ocier
Frederic C. Dybuncio
Bernardo D. Lim
Tomas D. Santos *(Independent Director)*
Edmundo L. Tan
Laurito E. Serrano *(Independent Director)*
Virginia A. Yap

Upon motion duly made and seconded, the following were nominated and elected as officers of the Corporation for the year 2013-2015, and who are to serve until their successors are duly elected and qualified:

| | | |
|---|---|---|
| Willy N. Ocier | - | Chairman |
| Frederic Dybuncio | - | President & CEO |

| | | |
|---|---|---|
| Bernardo D. Lim | - | Executive Vice President/ Chief Finance Officer |
| Edmundo L. Tan | - | Corporate Secretary |
| Richard Anthony D. Alcazar | - | Asst. Corporate Secretary |

## 4.0 CREATION OF BOARD COMMITTEES

The Board also proceeded to organize an Executive Committee which would directly manage the operations of the Corporation and act on specific matters within the competence of the Board, as may be delegated to it by the Board or in the By-Laws. Upon motion duly made and seconded, the following were nominated and appointed as members of the Executive Committee for the year 2014-2015 and who are to serve until their successors are duly elected and qualified:

Executive Committee:

Willy N. Ocier - Chairman
Frederic C. Dybuncio
Bernardo D. Lim
Virginia A. Yap

Compensation and Remuneration Committee:

Willy N. Ocier - Chairman
Edmundo L. Tan
Virginia A. Yap

Audit Committee:

Tomas Santos - Chairman
Virginia A. Yap
Bernardo D. Lim

Nomination Committee:

Edmundo L. Tan - Chairman
Tomas Santos
Virginia A. Yap

Risk Mangement Committee:

Tomas Santos - Chairman
Virginia A. Yap
Bernardo D. Lim

Atty. Edmundo L. Tan and Riza G. Baliang were likewise appointed as Compliance Officers of the Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand this 09 January 2015 at Pasig City.

**RICHARD ANTHONY D. ALCAZAR**
Asst. Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME JAN 0 9 2015 day of January 2015 at Pasig City, affiant exhibiting to me his Comm. Tax Cert. No. 27966294 issued on January 14, 2014 Pasig City and SSS No. 33-3092814-7 as competent evidence of his identity.

Doc. No. 175;
Page No. 36;
Book No. I;
Series of 2015.

D on nilda/8.1.44/2014 SEC/ACGR 2013/Sec Cert for ACGR 1-9-15

**ARLENE C. ACEVEDA**
Notary Public for the Cities of Pasig, San Juan,
Taguig and Municipality of Pateros
Appointment No. 270 (2014-2015)
Commission Expires on Dec 31, 2015
2303A East Tower, PSE Centre, Exchange Road
Ortigas Center, Pasig City, Metro Manila
Roll No. 63396
PTR No. 9860455; 05/20/2014; Pasig City
IBP No. 958329; 04/04/2014; RSM
Exempt from MCLE Compliance
MCLE Governing Board Order No. 1-2008(4 July 2008)