CR02327-2021

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended

   Dec 31, 2020

2. SEC Identification Number

   AS93008127

3. BIR Tax Identification No.

   002-834-075-000

4. Exact name of issuer as specified in its charter

   APC Group, Inc.

5. Province, country or other jurisdiction of incorporation or organization

   Metro Manila, Philippines

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

   G/F MyTown New York Bldg., General E. Jacinto St. corner Capas St., Brgy. Guadalupe Nuevo, Makati City
   Postal Code
   1212

8. Issuer's telephone number, including area code

   (+632) 8662 8888

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

   -

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	7,504,203,997

11. Are any or all of registrant's securities listed on a Stock Exchange?

   (●) Yes ( ) No

   If yes, state the name of such stock exchange and the classes of securities listed therein:

   Philippine Stock Exchange, Inc. / Common Stock

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

(●) Yes ( ) No

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

(●) Yes ( ) No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

1,496,051,293.00

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

(●) Yes ( ) No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

-

(b) Any information statement filed pursuant to SRC Rule 20

-

(c) Any prospectus filed pursuant to SRC Rule 8.1

-

APC Group, Inc.
APC

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Section 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2020
Currency	Philippine Peso

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2020	Dec 31, 2019
Current Assets	25,194,002	139,079,120
Total Assets	267,425,944	273,301,565
Current Liabilities	108,631,475	108,606,432
Total Liabilities	114,597,482	112,048,129
Retained Earnings/(Deficit)	-13,903,180	-7,801,877,957
Stockholders' Equity	152,828,462	161,253,436
Stockholders' Equity - Parent	159,693,371	168,106,184
Book Value Per Share	0.02	0.02

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2020	Dec 31, 2019
Gross Revenue	0	0
Gross Expense	0	0
Non-Operating Income	3,285,664	4,971,142
Non-Operating Expense	9,167,147	10,264,576
Income/(Loss) Before Tax	-5,881,483	-5,293,434
Income Tax Expense	0	0
Net Income/(Loss) After Tax	-5,881,483	-5,293,434
Net Income/(Loss) Attributable to Parent Equity Holder	-5,869,322	-5,274,618
Earnings/(Loss) Per Share (Basic)	0	0
Earnings/(Loss) Per Share (Diluted)	0	0

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2020	Dec 31, 2019
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	**Current Assets / Current Liabilities**	0.23	1.28
Quick Ratio	**(Current Assets - Inventory - Prepayments) / Current Liabilities**	0.23	1.28
Solvency Ratio	**Total Assets / Total Liabilities**	0.05	0.05
Financial Leverage Ratios			
Debt Ratio	**Total Debt/Total Assets**	0	0
Debt-to-Equity Ratio	**Total Debt/Total Stockholders' Equity**	0	0
Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	0	0
Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	1.75	1.69
Profitability Ratios			
Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of Service / Sales**	0	0
Net Profit Margin	**Net Profit / Sales**	0	0
Return on Assets	**Net Income / Total Assets**	0.02	0.02
Return on Equity	**Net Income / Total Stockholders' Equity**	0.04	0.03
Price/Earnings Ratio	**Price Per Share / Earnings Per Common Share**	-516.7	-545.8

Other Relevant Information
The amendment to this disclosure is due to the inclusion of the Audited Financial Statements of the Parent Company, amendment of the Non-Operating Expense and Non-Operating Income, and inclusion of the notarized signature page of the SEC Form 17-A.

Filed on behalf by:

Name	Darwin Mendoza
Designation	Authorized Representative

SEC Number **AS93008127**
File Number ____

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

G/F MyTown New York Bldg.,
General E. Jacinto St. corner Capas St.
Brgy. Guadalupe Nuevo, Makati City 1212
(Company's Address)

(632) 8662-8888
(Telephone Numbers)

SEC Form 17-A

FOR THE FISCAL YEAR ENDED

31 DECEMBER 2020

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 2020**

2. SEC Identification Number: **AS93008127**

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: **G/F MyTown New York Bldg., General E. Jacinto St. corner Capas St., Brgy. Guadalupe Nuevo, Makati City, 1212**

8. Registrant's telephone number: **(632) 8662-8888**

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. The aggregate market value of the voting stock held by non-affiliates of the registrant as of 31 December 2020: **₱1,496,051,293.00**

TABLE OF CONTENTS

Contents

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

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, Inc (PSE).

The registered office address of the Parent Company is G/F MyTown New York Bldg., General E. Jacinto St. corner Capas St., Brgy. Guadalupe Nuevo, Makati City.

The subsidiaries of the Company are as follows:

Company	Nature of Business	Date of Incorporation	Percentage of Ownership
Aragorn Power and Energy Corporation (APEC) (1, 3)	Energy	January 6, 2005	95.6%
PRC-Magma Energy Resources Inc. (PRC - Magma) (1, 2)	Energy	June 10, 2009	85%
APC Cement Corporation (APC Cement) (1)	Manufacturing	November 15, 1994	100%
APC Energy Resources, Inc. (APCERI) (1)	Mining	January 31, 2005	100%
APC Mining Corporation (APC Mining) (1)	Mining	March 17, 2005	83%

(1) *Still in the pre-operating stage*
(2) *A direct subsidiary of APEC*
(3) *On April 10, 2018, the Parent Company subscribed to additional shares of APEC through capital infusion amounting to ₱76.5 million which increased the ownership interest of the Parent Company from 90% to 95.6%. This resulted to change in ownership interests in APEC without loss of control and accounted for as deemed acquisition of NCI. Loss on dilution of NCI amounted to ₱3.4 million, presented as part of "Equity Reserves" in the Consolidated Statement of Financial Position.*

All the subsidiaries were incorporated in the Philippines.

<u>Status of Operations</u>

The following is the status of operations of the Group:

a. Aragorn Power and Energy Corporation (APEC)

- Kalinga Apayao Geothermal Service Project (Project)

  As of March 1, 2021, APEC is still in the exploration stage. It was established to engage in renewable energy resource exploration, development and utilization.

  In 2008, APEC was granted a Geothermal Service Contract (GSC) by the Republic of the Philippines, through Department of Energy (DOE), for the exploration, development and exploitation of geothermal resources covering a total area of 26,139 hectares located in the Province of Kalinga (the "Kalinga Geothermal Project" or "KGP"). The GSC was granted after a Certificate Precondition 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 Service Contract (GRESC) in March 2010 to avail of the incentives provided under the Renewable Energy (RE) Act of 2008. GRESC has a term of not exceeding 25 years (including the used term under the GSC) and renewable for not more than 25 years. The total period from pre-development stage to the development/commercial stage shall not exceed 50 years.

In November 2010, APEC and its partner Guidance Management Corporation (GMC) forged a partnership with AllFirst Kalinga Ltd. (AKL, formerly Chevron Kalinga Ltd.), a wholly owned subsidiary of AllFirst Geothermal Philippines Holdings, Inc., (formerly Chevron Geothermal Philippines Holdings, Inc.) in developing the geothermal area. The parties signed a Farm-out Agreement (FOA) 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, AKL will be responsible for the exploration, development and operation of the steam field and power activities.

On August 13, 2018, APEC has secured an extension of the GRESC exploration period from DOE until September 23, 2020. On August 14, 2018, pursuant to Executive Order No. 30, the Energy Investment Coordinating Council (EICC), through the DOE, granted KGP a Certificate of Energy Project of National Significance (CEPNS) for Pre-Development Phase. The CEPNS entitles KGP to all the rights and privileges provided for under Executive Order No. 30 series 2017.

On September 18, 2018, AKL has assigned its Farm-out interest, including all associated rights and obligations under the FOA, in favor of its affiliate, Allfirst Kalinga Holdings, Inc. (AKHI).

Through letter dated December 28, 2018, the DOE gave KGP the clearance to undertake a system impact study (SIS) of its proposed 120 MW Kalinga Geothermal Project. The SIS of the KGP is currently on-going.

In 2019, KGP completed securing all the remaining necessary permits from the regulatory agencies (i.e. DENR and NWRB), and maintained and complied with its commitments with each of the representative Council of Elders and Leaders (COEs) under the Memoranda of Agreements (MOAs) supporting the NCIP Certificates of Precondition. KGP has also engaged contractors and suppliers necessary for the construction of access roads, well pads, and well drilling activities.

With the completion of the negotiation for right-of-way, remaining regulatory permits, as well as the engagement of the needed contractors and suppliers, KGP has completed the construction of well pads and access roads, and continues to implement geo-hazard mitigation measures.

On October 12, 2019, the Project commenced drilling of the PAS-02 exploration well and ended drilling operations on April 21, 2020 after reaching a depth of 4,483 ft. (1,366 m MD) and being unable to drill further. Drilling operations encountered many challenges such as technical difficulties with the well amidst the severe impact dealt by the COVID-19 pandemic and the Enhanced Community Quarantine (ECQ) such as limitations to deployment of personnel and delivery of supplies, disruptions to the global supply chain, and reduction in work hours of personnel quarantined onsite to protect their health and safety. Results of the drilling still show promise, with very encouraging commercial temperatures at 568°F (298°C) despite tight permeability.

On October 13, 2020, APEC secured an extension of the GRESC exploration period from DOE until October 12, 2022 with DOE recognizing the significant accomplishments of the project, the difficulties that the project encountered, and the need for further exploration given the results of the drilling PAS-02 with commercial temperature and encouraging chemistry.

The KGP continues to provide scholarship grants and educational assistance to deserving youths from the eight (8) ancestral domains within its contract area. As of school year 2020-

2021, the KGP has already extended scholarships to 369 grantees and has produced 280 graduates in various courses. Five (5) scholar graduates in engineering and geology have been hired for the Project.

As of March 1, 2021, APEC has completed sub-phases 1 and 2, covering geochemical and geophysical surveys. APEC is already in the sub-phase 3 stage of the project. In line with this, the consent of nine (9) out of eleven (11) ancestral domains has been secured, covering 85% of the GRESC area. In addition, all of the Community Development (CD) Projects have been fully completed and turned over to the respective community beneficiaries.

The KGP intends to continue exploration activities by re-conducting geology, geochemical, and geophysical surveys (3G) to obtain additional information intended to refine and expand the Conceptual Model to ensure soundness of the outputs and drilling targets prior to resuming drilling operations.

This KGP involves the development of steam fields that can generate around 120 megawatts (MW) of new capacity, providing an additional source of clean, indigenous and reliable baseload power to the Luzon grid. A 120-MW geothermal project will approximately cost more than USD300.0 million.

On January 15, 2020, AllFirst Kalinga Holdings Inc. (AKHI) made a cash call to APEC amounting to USD 2.1 million (Php106.5 million) for 5% share of the USD 42.08 million appraisal drilling budget which includes construction of general facilities, roads, and pads, rig mobilization and demobilization, well drilling, testing, resource feasibility study, other exploration capital (salaries and wages) and corporate social responsibility.

b. APC Energy Resources Inc. (APC Energy)

APC Energy was established to engage in exploration, development and utilization of renewable energy resources. As of March 1, 2021, APC Energy is still in the pre-operating stage.

c. APC Mining Corporation (APC Mining)

APC Mining was organized to engage in mining, processing, manufacturing, buying and selling of all kinds of ores, metals and minerals. As of March 1, 2021, APC Mining is still in the pre-operating stage.

d. APC Cement Corporation (APC Cement)

APC Cement was established to engage in the manufacture of cement. As of March 1, 2021, APC Cement is still in the pre-operating stage.

e. PRC-Magma Energy Resources, Inc. (PRC Magma)

PRC Magma was established 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. As of March 1, 2021, PRC Magma is still in the pre-operating stage.

<u>Employees</u>
APC Group Inc. had a total of 5 employees as of December 31, 2020.

Item 2. Properties

Description of Property

Company/Owner	Location	Description
APC Group, Inc.	Ginatilan, Cebu City	Various lots with a total estimated area of 79,098 square meters

Item 3. Legal Proceedings

The Company and its subsidiaries have no legal proceedings that could have an adverse effect on the Company or its results of operations.

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

Market Information

The Company's common equity is traded in 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:

	2020		**2019**	
Share Prices	High	Low	High	Low
First Quarter	₱ 0.45	₱ 0.245	₱ 0.53	₱ 0.51
Second Quarter	0.36	0.255	0.51	0.50
Third Quarter	0.34	0.290	0.57	0.55
Fourth Quarter	0.48	0.285	0.48	0.48

The price information as of December 31, 2020 is ₱0.42, with market capitalization of ₱3,151,765,678.74.

Holders

The number of shareholders of record as of December 31, 2020 was 595. Common shares outstanding as of December 31, 2020 was 7,504,203,997.

The top 20 registered shareholders of the common equity of the Company are as follows:

	Name	No. of Common Shares Held	Percentage (%) owned out of Total outstanding common shares
1.	Belle Corporation	3,500,000,000	46.64
2.	PCD Nominee Corporation	2,318,912,165	30.90
3.	Dominion Equities, Inc.	340,000,000	4.53
4.	Compact Holdings, Inc.	281,000,000	3.74
5.	Integrated Holdings, Inc.	180,000,000	2.40
6.	Elite Holdings, Inc.	168,500,000	2.25
7.	Parallax Resources, Inc.	165,722,334	2.21
8.	Equinox International Resources Corp.	100,000,000	1.33
	Richold Investor Corporation	100,000,000	1.33
9.	Eastern Sec. Devt. Corp.	80,000,000	1.07
10.	Gilt-Edged Properties, Inc.	68,616,665	0.91
11.	Headland Holdings Corporation	55,500,000	0.74
12.	Eastern Sec. Dev. Corp.	23,869,114	0.32
13	Lim Siew Kim	18,000,000	0.24
	Tak Chang Investments Co., Ltd.	18,000,000	0.24
14.	Coscolluela, William V.	10,000,000	0.13
15.	Reyes, Vicente O. ITF:Peter Paul Phil. Cor	8,332,000	0.11
16.	Dharmala Sec. (Phils), Inc.	5,050,000	0.07
17.	Singson, Evelyn R. ITF: Gilt-Edged Prop.	3,933,333	0.05
18.	Singson, Evelyn R. ITF: Jaime F. Singson	3,000,000	0.04
	Corporate Inv. Phils., Inc.	3,000,000	0.04
19.	Cu, Oscar S.ITF Anthony Cu	2,935,000	0.04
20.	Cu, Oscar ITF Anthony Cu	2,910,000	0.04

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

Dividends

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 deficit.

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 (the “Board”) shall determine. No dividends shall be declared which would impair the capital of the Company.

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

There were no recent sale of unregistered or exempt securities.

Minimum Public Ownership

Computation of Public Ownership as of December 31, 2020

		Number of Shares
Number of Issued and Outstanding 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 Outstanding Shares	**Common**
Directors and Officers	0.0327%	2,452,706
Principal Stockholders	46.6405%	3,500,000,000
Affiliates	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
As of December 31, 2020

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

Number of Issued Shares	=	5,998,149,059
Number of Outstanding Shares	=	7,504,203,997
Number of Treasury Shares	=	7,606,000
Number of Listed Shares	=	5,998,149,059
Total Number of Non-Public Share	=	3,668,175,040
Number of Foreign Owned Shares	=	528,363,564
Foreign Ownership Level (%)	=	7.04%
Foreign Ownership Limit (%)	=	40%

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

For The Financial Year Ended 2020 compared to Year Ended 2019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31 2020	Dec 31 2019	Increase (Decrease) Amount	%	2020	2019
ASSETS						
Current Assets						
Cash and cash equivalents	21,475,809	137,491,340	(116,015,531)	*-84%*	*8%*	*50%*
Receivables	3,702,273	1,585,194	2,117,079	*134%*	*1%*	*1%*
Other current assets	15,940	2,586	13,354	*516%*	*0%*	*0%*
Total current assets	25,194,022	139,079,120	(113,885,098)	*-82%*	*9%*	*51%*
Noncurrent Assets						
Property and equipment	34,712	62,234	(27,522)	*-44%*	*0%*	*0%*
Investment properties	12,048,000	10,028,870	2,019,130	*20%*	*5%*	*4%*
Financial assets at FVOCI	2,829,755	3,624,630	(794,875)	*-22%*	*1%*	*1%*
Deferred exploration costs	218,013,500	111,520,001	106,493,499	*95%*	*82%*	*41%*
Input value added tax	9,282,133	8,962,888	319,245	*4%*	*3%*	*3%*
Other noncurrent assets - net	23,822	23,822	-	*0%*	*0%*	*0%*
Total noncurrent assets	242,231,922	134,222,445	108,009,477	*80%*	*91%*	*49%*
Total Assets	267,425,944	273,301,565	(5,875,621)	*-2%*	*100%*	*100%*
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other payables	28,652,844	28,627,801	25,043	*0%*	*11%*	*10%*
Advances from related parties	79,978,631	79,978,631	-	*0%*	*30%*	*29%*
Total current liabilities	108,631,475	108,606,432	25,043	*0%*	*41%*	*40%*
Noncurrent Liabilities						
Accrued retirement costs	5,966,007	3,441,697	2,524,310	*73%*	*2%*	*1%*
Total Liabilities	114,597,482	112,048,129	2,549,353	*2%*	*43%*	*41%*
Capital Stock	63,880,788	6,388,078,749	(6,324,197,961)	*-99%*	*24%*	*2337%*
Additional paid-in capital	144,295,958	1,613,942,096	(1,469,646,138)	*-91%*	*54%*	*591%*
Cumulative change in fair value of financial assets at FVOCI	1,981,754	2,776,629	(794,875)	*-29%*	*1%*	*1%*
Equity reserves	(3,140,235)	(3,140,235)	-	*0%*	*-1%*	*-1%*
Remeasurement loss on defined benefit obligation	(3,986,494)	(2,237,878)	(1,748,616)	*78%*	*-1%*	*-1%*
Deficit	(13,903,180)	(7,801,877,957)	7,787,974,777	*-100%*	*-5%*	*-2855%*
Treasury shares	(29,435,220)	(29,435,220)	-	*0%*	*-11%*	*-11%*
Equity Attributable to Parent Company	159,693,371	168,106,184	(8,412,813)	*-5%*	*60%*	*62%*
Non-controlling interests	(6,864,909)	(6,852,748)	(12,161)	*0%*	*-3%*	*-3%*
Total Equity	152,828,462	161,253,436	(8,424,974)	*-5%*	*57%*	*59%*
Total Liabilities and Equity	267,425,944	273,301,565	(5,875,621)	*-2%*	*100%*	*100%*

Assets

The Company recorded consolidated assets of ₱267.4 million as at December 31, 2020, lower by 2% from ₱273.3 million in 2019. The main movements in the balance sheet are as follows:

- Cash and cash equivalents decreased by 84% from ₱137.5 million as at December 31, 2019 to ₱21.5 million as at December 31, 2020. This decrease is mainly due to the increase in the Company's contributions to the Kalinga Geothermal Project (recorded under "Deferred Exploration costs") by ₱106.5 million for the year coupled with the payment of the Company's expenses and offset in part by the cash earned as interest and dividend income in 2020.
- Financial assets at FVOCI decreased by 22% as a result of the movement in stock prices of the shares held by the Company as of December 31, 2020.

- Investment property pertain to land owned by the Company located in Ginatillan, Cebu. The increase in this account is due to the increase in value of the properties based on the latest actuarial valuation report.

Liabilities

Total liabilities as at December 31, 2020 of the Company amounted to ₱114.6 million, increasing by 2% versus liabilities as at December 31, 2019 by ₱2.6 million mainly due to the increase in the Company's defined benefit obligation based on the latest actuarial valuation obtained by the Company from a third party.

Equity

On August 9, 2017, the Parent Company's BOD approved the reduction of the par value of the Parent Company's capital stock from ₱1 par value per share to ₱0.01 par value per share. This was approved by the Parent Company's stockholders on September 27, 2017.

On February 20, 2020, the SEC approved the decrease in the authorized capital stock of the Parent Company from ₱20,000.0 million divided into 14,000.0 million common shares and 6,000.0 million preferred shares with par value of ₱1 per share to ₱200.0 million divided into 14,000.0 million common shares and 6,000.0 million preferred shares both with par value of ₱0.01 per share.

On February 20, 2020, the SEC approved the equity restructuring of the Parent Company to wipe out the deficit as of December 31, 2018 amounting to ₱7,793.8 million against the additional paid in capital of ₱ 7,938.1 million provided that the remaining additional paid in capital of ₱144.3 million cannot be applied for future losses that may be incurred by the Company without prior approval of the SEC.

This resulted in the following as at December 31, 2020:

- decrease in the Company's capital stock from ₱6,388.1 million to ₱63.9 million
- decrease in APIC from ₱1,613.9 million to ₱144.3 million
- decrease in deficit from ₱7,801.9 million to ₱13.9 million

Overall, stockholders' equity decreased by 5% from ₱161.3 million in 2019 to ₱152.8 million in 2020 due to the incurred net loss and other comprehensive losses recognized in 2020 amounting to ₱5.9 million and ₱2.5 million, respectively.

The Company does not foresee any cash flow problems during the next twelve months. The Company has enough cash to meet cash requirements in 2020.

There were no off-balance sheet transactions.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31 2020	Dec 31 2019	Increase (Decrease) Amount	%	2020	2019
Interest Income	947,058	4,651,666	(3,704,608)	*-80%*	*75%*	*94%*
Dividend Income	319,476	319,476	-	*0%*	*25%*	*6%*
Total Revenue	1,266,534	4,971,142	(3,704,608)	*-75%*	*100%*	*100%*
General and Administrative Expenses	(9,167,147)	(10,264,576)	1,097,429	*-11%*	*-724%*	*-206%*
Total Costs and Expenses	(9,167,147)	(10,264,576)	1,097,429	*-11%*	*-724%*	*-206%*
Gain on revaluation of properties	2,019,130	-	2,019,130	*100%*	*159%*	*0%*
Total Other Income(Loss)	2,019,130	-	2,019,130	*100%*	*159%*	*0%*
Net Loss	(5,881,483)	(5,293,434)	(588,049)	*11%*	*-464%*	*-106%*
Net Loss Attributable to:						
Equity holders of the Parent Company	(5,869,322)	(5,274,618)	(594,704)	*11%*	*-463%*	*-106%*
Non-controlling interests	(12,161)	(18,816)	6,655	*-35%*	*-1%*	*0%*
	(5,881,483)	(5,293,434)	(588,049)	*11%*	*-464%*	*-106%*
Other Comprehensive Income (Loss)						
Unrealized mark-to-market gain/(loss) on available-for-sale financial assets	(794,875)	(1,547,491)	752,616	*-49%*	*-63%*	*-31%*
Remeasurement loss on defined benefit obligation	(1,748,616)	-	(1,748,616)	*-100%*	*-138%*	*0%*
Total Comprehensive Loss for the period	(8,424,974)	(6,840,925)	(1,584,049)	*23%*	*-665%*	*-138%*
Total Comprehensive Loss Attributable to:						
Equity holders of the Parent Company	(8,412,813)	(6,822,109)	(1,590,704)	*23%*	*-664%*	*-137%*
Non-controlling interests	(12,161)	(18,816)	6,655	*-35%*	*-1%*	*0%*
	(8,424,974)	(6,840,925)	(1,584,049)	*23%*	*-665%*	*-138%*

APC Group, Inc. reported consolidated net loss of ₱5.9 million for 2020, 11% higher than the ₱5.3 million net loss reported in the previous year.

Revenue

The Company recorded revenues of ₱1.27 million for the year ended 2020, 75% lower than the ₱4.9 million revenues recognized in 2019. This decrease is mainly brought about by the lower interest income from cash and money market placements for 2020 given the also lower amount of cash. Dividends received from the Company's financial assets through FVOCI remain the same.

Costs and Expenses

The Company recorded ₱9.2 million in costs and expenses for the year, 11% lower than the ₱10.3 million in 2019 due mostly to lower salaries because of a decrease in headcount.

Other Income (Loss)

Other income of the Company in 2020 pertains to the ₱2.0 million gain in revaluation of its investment property based on the latest actuarial valuation from a third party.

Other Comprehensive Income (Loss)

Other comprehensive income pertains to the unrealized mark to market gains and losses on the Company's financial assets through FVOCI, which decreased in share price as of the end of the year and the remeasurement loss on defined benefit obligation. Other comprehensive loss is at ₱ 2.5 million in 2020, for a total comprehensive loss of ₱8.4 million for the year.

As of December 31, 2020, 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 expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period
- Any significant elements of income or loss from continuing operation
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- The Company does not foresee any liquidity problem over the next twelve (12) months.

PLAN OF OPERATION

The Company will focus on the following directions in the next 12 months:

1. Continue with the development of its geothermal resources. Pursue the exploration work program for the Kalinga project.
2. Seek other renewable energy development investment opportunities.
3. Look into other revenue opportunities for the Company.

For The Financial Year Ended 2019 compared to Year Ended 2018

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts in Pesos, except percentages	Year on Year		Horizontal Analysis Inc (Dec)		Vertical Analysis	
	Dec 31, 2019	Dec 31, 2018	Amount	%	2019	2018
Interest income	4,651,666	3,569,449	1,082,217	30%	94%	93%
Dividend income	319,476	279,224	40,252	14%	6%	7%
Total revenues	**4,971,142**	**3,848,673**	**1,122,469**	**29%**	**100%**	**100%**
General and administrative expenses	(10,264,576)	(12,350,727)	2,086,151	-17%	-206%	-321%
Total costs and expenses	**(10,264,576)**	**(12,350,727)**	**2,086,151**	**-17%**	**-206%**	**-321%**
Loss on sale of investment property	-	(3,015,807)	3,015,807	-100%	0%	-78%
Total other income / (loss)	**-**	**(3,015,807)**	**3,015,807**	**-100%**	**0%**	**-78%**
Net Loss	**(5,293,434)**	**(11,517,861)**	**6,224,427**	**-54%**	**-106%**	**-299%**
Net loss attributable to:						
Equity holders of the Parent Company	(5,274,618)	(11,470,031)	6,195,413	-54%	-106%	-298%
Non-controlling interests	(18,816)	(47,830)	29,014	-61%	0%	-1%
	(5,293,434)	**(11,517,861)**	**6,224,427**	**-54%**	**-106%**	**-299%**

APC Group, Inc. reported consolidated net loss of ₱5.3 million for 2019, 54% better than the ₱11.5 million net loss reported in the previous year.

Revenue

The Company recorded revenues of ₱5.0 million for the year ended 2019, 19% higher than the ₱3.8 million revenues recognized in 2018. The increase in revenue is due to the Company's higher interest income from money market placements during the period. In addition, dividend income increased by 14% in 2019 due to higher dividends declared and paid from the Company's financial assets at fair value through other comprehensive income (FVOCI).

Costs and Expenses

The Company's costs and expenses amounting to ₱10.3 million in 2019 is 17% lower than the ₱12.4 million expenses recorded in 2018 due to the one-time expenses incurred by the Company in 2018 comprising of capital gains taxes from the sale of investment property and additional documentary stamp taxes paid during the year.

Other Income (Loss)

In 2018, the Company incurred a loss of ₱3.0 million from the sale of investment properties with a total fair market value of ₱12.3 million.

Amounts in Pesos, except percentages	Year on Year		Horizontal Analysis Inc (Dec)		Vertical Analysis	
	Dec 31, 2019	Dec 31, 2018	Amount	%	2019	2018
Net Loss	**(5,293,434)**	**(11,517,861)**	**6,224,427**	**-54%**	**-106%**	**-299%**
Other Comprehensive Income (Loss)						
Item not to be reclassified to profit or loss in subsequent periods:						
Change in fair value of financial assets at FVOCI	(1,547,491)	(3,497,450)	1,949,959	-56%	-31%	-91%
Total Comprehensive Loss	**(6,840,925)**	**(15,015,311)**	**8,174,386**	-54%	-138%	-390%
Total comprehensive loss attributable to:						
Equity holders of the Parent Company	**(6,822,109)**	(14,967,481)	8,145,372	-54%	-137%	-389%
Non-controlling interests	(18,816)	(47,830)	29,014	-61%	0%	-1%
	(6,840,925)	**(15,015,311)**	**8,174,386**	**-54%**	**-138%**	**-390%**

Total Comprehensive Loss

The Company incurred unrealized loss amounting to ₱1.5 million in 2019 due to the movement in the share price of its financial assets at FVOCI. This resulted to total comprehensive loss of ₱6.8 million for 2019.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Year on Year		Horizontal Analysis		Vertical Analysis	
			Inc (Dec)			
Amounts in Pesos, except percentages	Dec 31, 2019	Dec 31, 2018	Amount	%	2019	2018
ASSETS						
Current Assets						
Cash and cash equivalents	**137,491,340**	144,787,138	(7,295,798)	-5%	50%	52%
Receivables	**1,585,194**	300,718	1,284,476	427%	1%	0%
Other current assets	**2,585**	11,515	(8,930)	-78%	0%	0%
Total Current Assets	**139,079,119**	145,099,371	(6,020,252)	-4%	51%	52%
Noncurrent Assets						
Property and equipment	**62,234**	15,620	46,614	298%	0%	0%
Investment property	**10,028,870**	10,028,870	-	0%	4%	4%
Financial assets at FVOCI	**3,624,630**	5,172,121	(1,547,491)	-30%	1%	2%
Deferred exploration costs	**111,520,001**	110,878,886	641,115	1%	41%	40%
Input value added tax (VAT)	**8,962,888**	8,704,647	258,241	3%	3%	3%
Other noncurrent assets	**23,822**	23,822	-	0%	0%	0%
Total Noncurrent Assets	**134,222,445**	134,823,966	(601,521)	0%	49%	48%
	273,301,564	279,923,337	(6,621,773)	-2%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other payables	**28,627,801**	28,449,031	178,770	1%	10%	10%
Advances from a related party	**79,978,631**	80,047,381	(68,750)	0%	29%	29%
Total Current Liabilities	**108,606,432**	108,496,412	110,020	0%	40%	39%
Noncurrent Liabilities						
Accrued retirement costs	**3,441,697**	3,170,606	271,091	9%	1%	1%
Other noncurrent liabilities	-	161,959	(161,959)	-100%	0%	0%
Total Noncurrent Liabilities	**3,441,697**	3,332,565	109,132	3%	1%	1%
Total Liabilities	**112,048,129**	111,828,977	219,152	0%	41%	40%
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**6,388,078,749**	6,388,078,749	-	0%	2337%	2282%
Additional paid-in capital	**1,613,942,096**	1,613,942,096	-	0%	591%	577%
Cumulative change in FVOCI	**2,776,629**	4,324,120	(1,547,491)	-36%	1%	2%
Remeasurement loss on defined benefit obligation	**(2,237,878)**	(2,237,878)	-	0%	-1%	-1%
Equity reserves	**(3,140,235)**	(3,140,235)	-	0%	-1%	-1%
Deficit	**(7,801,877,957)**	(7,796,603,339)	(5,274,618)	0%	-2855%	-2785%
Treasury shares - 7,606,000 shares	**(29,435,220)**	(29,435,220)	-	0%	-11%	-11%
Total Equity Attr to Equity Holders of the Parent Company	**168,106,184**	174,928,293	(6,822,109)	-4%	62%	62%
Non-controlling Interests	**(6,852,749)**	(6,833,933)	(18,816)	0%	-3%	-2%
Total Equity	**161,253,435**	168,094,360	(6,840,925)	-4%	59%	60%
TOTAL LIABILITIES and EQUITY	**273,301,564**	279,923,337	(6,621,773)	-2%	100%	100%

Assets

The Company recorded consolidated assets of ₱273.3 million as at December 31, 2019, lower by 2% from ₱279.9 million in 2018. The main movements in the balance sheet are as follows:

- Cash and cash equivalents amounted to ₱137.5 million as of December 31, 2019, 5% lower compared to ₱144.8 million as of December 31, 2018. The decrease was mainly attributable to the payment of the Company expenses and payables for the year.
- Financial assets at FVOCI decreased by 30% as a result of the movement in stock prices of the shares held by the Company as of December 31, 2019.
- Deferred exploration costs increased by 1% due to additional expenses for the Kalinga Geothermal Project.

Liabilities

There is no significant movement in the Company's total liabilities as of December 31, 2019.

Equity

Stockholders' equity decreased by 4% from ₱168.1 million in 2018 down to ₱161.3 million in 2019 due to the incurred net loss and change in fair value of financial assets at FVOCI recognized in 2019 amounting to
₱5.3 million and ₱1.5 million, respectively.

The Company does not foresee any cash flow problems during the next twelve months. The Company has enough cash to meet cash requirements in 2020.

There were no off-balance sheet transactions.

As of December 31, 2019, 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, 2019 to December 31, 2020.

PLAN OF OPERATION

The Company will focus on the following directions in the next 12 months:

4. Continue with the development of its geothermal resources. Pursue the exploration work program for the Kalinga project.
5. Seek other renewable energy development investment opportunities.

For The Financial Year Ended 2018 compared to Year Ended 2017

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31 2018	Dec 31 2017	Increase (Decrease) Amount	%	2018	2017
Interest Income	**3,569,449**	3,900,176	(330,727)	*-8%*	*93%*	*96%*
Dividend Income	**279,224**	178,688	100,536	*56%*	*7%*	*4%*
Total Revenue	**3,848,673**	4,078,864	(230,191)	*-6%*	*100%*	*100%*
General and Administrative Expenses	**(12,350,727)**	(20,511,515)	8,160,788	*-40%*	*-321%*	*-503%*
Total Costs and Expenses	**(12,350,727)**	(20,511,515)	8,160,788	*-40%*	*-321%*	*-503%*
Loss on Sale of Investment Properties	**(3,015,807)**	-	(3,015,807)	*-100%*	*-78%*	*0%*
Other Income/Loss	-	17,816	(17,816)	*-100%*	*0%*	*0%*
Total Other Income(Loss)	**(3,015,807)**	17,816	(3,033,623)	*-17028%*	*-78%*	*0%*
Net Loss	**(11,517,861)**	(16,414,835)	4,896,974	*-30%*	*-299%*	*-402%*
Net Loss Attributable to:						
Equity holders of the Parent Company	**(11,470,031)**	(16,324,751)	4,854,720	*-30%*	*-298%*	*-400%*
Non-controlling interests	**(47,830)**	(90,084)	42,254	*-47%*	*-1%*	*-2%*
	(11,517,861)	(16,414,835)	4,896,974	*-30%*	*-299%*	*-402%*

APC Group, Inc. reported consolidated net loss of ₱11.5 million for 2018, 30% better than the ₱16.4 million net loss reported in the previous year.

Revenue

The Company recorded revenues of ₱3.8 million for the year ended 2018, 6% lower than the ₱4.1 million revenues recognized in 2017. This decrease in revenue is due to the Company's lower interest income from money market placements because the cash and cash equivalent decreased by 26% during the period. On the other hand, dividend income increased by 56% in 2018 due to higher dividends declared and paid from the Company's investments in equity instruments.

Costs and Expenses

The Company's costs and expenses amounting to ₱12.4 million in 2018 is 40% lower than the ₱20.5 million expenses recorded in 2017 due to the one-time expenses incurred by the Company in 2017 comprising of the listing fee and professional fees paid amounting to P4.9 million and P2.9 million, respectively.

Other Income (Loss)

The Company incurred a loss of ₱3.0 million from the sale of investment properties with a total fair market value of ₱12.3 million.

(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31 2018	Dec 31 2017	Increase (Decrease)		2018	2017
			Amount	%		
Net Loss	**(11,517,861)**	(16,414,835)	4,896,974	*-30%*	*-299%*	*-402%*
Other Comprehensive Income (Loss)						
Unrealized mark-to-market gain/(loss) on available-for-sale financial assets	**(3,497,450)**	1,144,620	(4,642,070)	*-406%*	*-91%*	*28%*
Remeasurement gain on defined benefit obligation	**-**	625,727	(625,727)	*-100%*	*0%*	*15%*
Total Comprehensive Loss for the period	**(15,015,311)**	(14,644,488)	(370,823)	*3%*	*-390%*	*-359%*
Total Comprehensive Loss Attributable to:						
Equity holders of the Parent Company	**(14,967,481)**	(14,554,404)	(413,077)	3%	*-389%*	*-357%*
Non-controlling interests	**(47,830)**	(90,084)	42,254	-47%	*-1%*	*-2%*
	(15,015,311)	(14,644,488)	(370,823)	3%	*-390%*	*-359%*

Comprehensive Loss

The Company incurred unrealized loss amounting to ₱3.5 million in 2018 due to the movement in the share price of its AFS. This resulted to total comprehensive loss of ₱15.0 million for 2018.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31 2018	Dec 31 2017	Increase (Decrease) Amount	%	2018	2017
ASSETS						
Cash and cash equivalents	**144,787,138**	196,586,234	(51,799,096)	*-26%*	*52%*	*66%*
Trade and other receivables - net	**300,718**	941,677	(640,959)	*-68%*	*0%*	*0%*
Available-for-sale financial assets	**5,172,121**	8,669,571	(3,497,450)	*-40%*	*2%*	*3%*
Other current assets	**8,716,162**	8,504,516	211,646	*2%*	*3%*	*3%*
Property and equipment	**15,620**	24,546	(8,926)	*-36%*	*0%*	*0%*
Investment properties	**10,028,870**	22,374,000	(12,345,130)	*-55%*	*4%*	*8%*
Other noncurrent assets - net	**110,902,708**	59,892,558	51,010,150	*85%*	*40%*	*20%*
Total Assets	**279,923,337**	296,993,102	(17,069,765)	*-6%*	*100%*	*100%*
LIABILITIES AND EQUITY						
Trade and other payables	**28,449,031**	31,051,650	(2,602,619)	*-8%*	*10%*	*10%*
Advances from related parties	**80,047,381**	80,004,536	42,845	*0%*	*29%*	*27%*
Subscriptions payable	**161,959**	161,959	-	*0%*	*0%*	*0%*
Accrued retirement costs	**3,170,606**	2,665,286	505,320	*19%*	*1%*	*1%*
Total Liabilities	**111,828,977**	113,883,431	(2,054,454)	*-2%*	*40%*	*38%*
Capital stock	**6,388,078,749**	6,388,078,749	-	*0%*	*2282%*	*2151%*
Additional paid-in capital	**1,613,942,096**	1,613,942,096	-	*0%*	*577%*	*543%*
Unrealized mark-to-market gain on available-for-sale financial assets	**4,324,120**	7,821,570	(3,497,450)	*-45%*	*2%*	*3%*
Equity reserves	**(3,140,235)**	226,304	(3,366,539)	*-1488%*	*-1%*	*0%*
Remeasurement loss on defined benefit obligation	**(2,237,878)**	(2,237,878)	-	*0%*	*-1%*	*-1%*
Deficit	**(7,796,603,339)**	(7,785,133,308)	(11,470,031)	*0%*	*-2785%*	*-2621%*
Treasury shares	**(29,435,220)**	(29,435,220)	-	*0%*	*-11%*	*-10%*
Equity Attributable to Non-controlling Interests	**(6,833,933)**	(10,152,642)	3,318,709	*-33%*	*-2%*	*-3%*
Total Equity	**168,094,360**	183,109,671	(15,015,311)	*-8%*	*60%*	*62%*
Total Liabilities and Equity	**279,923,337**	296,993,102	(17,069,765)	*-6%*	*100%*	*100%*

Assets

The Company recorded consolidated assets of ₱279.9 million as at December 31, 2018, lower by 6% from ₱297.0 million in 2017. The main movements in the balance sheet are as follows:

- Cash and cash equivalents amounted to ₱144.8 million as of December 31, 2018, 26% lower compared to ₱196.6 million as of December 31, 2017. The decrease was mainly attributable to the additional exploration costs of Aragorn Power and Energy Corporation (a subsidiary) (APEC) and the release of the 2nd tranche funds for the Kalinga project community development scholarships for the school year 2017-2018 which are presented as part of Other noncurrent assets account. The decrease was slightly offset by the collection from the sale of investment properties.
- Available-for-sale financial assets decreased by 40% as a result of the movement in stock prices of the shares held by the Company as of December 31, 2018.
- Investment property decreased by 55% or ₱12.3 million due to the sale of parcels of lots in Cebu in 2018.
- Other noncurrent assets increased by 85% due to the additional deferred exploration costs of APEC.

Liabilities

The Company's consolidated liabilities decreased slightly by 2% due to the release of the 2nd tranche funds for community development scholarships for the school year 2017-2018.

Equity

Stockholders' equity decreased by 8% from ₱183.1 million in 2017 down to ₱168.1 million in 2018 due to comprehensive net loss and unrealized mark-to-market loss on AFS recognized in 2018 amounting to ₱ 11.5 million and ₱3.5 million, respectively.

The Company does not foresee any cash flow problems during the next twelve months. The Company has enough cash to meet cash requirements in 2019.

There were no off-balance sheet transactions.

As of December 31, 2018, 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, 2018 to December 31, 2017.

PLAN OF OPERATION

The Company will focus on the following directions in the next 12 months:

1. Continue with the development of its geothermal resources. Pursue the exploration work program for the Kalinga project.
2. Seek other renewable energy development investment opportunities.

For The Financial Year Ended 2017 compared to Year Ended 2016

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31 2017	Dec 31 2016	Increase (Decrease) Amount	%	2017	2016
Interest Income	**3,900,176**	1,225,022	2,675,154	218%	96%	90%
Dividend Income	**178,688**	136,719	41,969	31%	4%	10%
Total Revenue	**4,078,864**	1,361,741	2,717,123	200%	100%	100%
General and Administrative Expenses	**(20,511,515)**	(21,920,354)	1,408,839	-6%	-503%	1610%
Write-off and Provisions	**-**	(12,911,061)	12,911,061	-100%	0%	948%
Total Costs and Expenses	**(20,511,515)**	(34,831,415)	14,319,900	-41%	-503%	2558%
Loss on Sale of Investment Property	**-**	(18,689,020)	18,689,020	-100%	0%	1372%
Loss on Impairment of Goodwill	**-**	(5,992,907)	5,992,907	-100%	0%	440%
Gain on Fair Value Change in Investment Property	**-**	7,515,020	(7,515,020)	-100%	0%	-552%
Other Income	**17,816**	3,571,832	(3,554,016)	-100%	0%	262%
Other Income (Expenses)	**17,816**	(13,595,075)	13,612,891	-100%	0%	998%
Net Loss	**(16,414,835)**	(47,064,749)	30,649,914	-65%	-402%	-3456%
Net Loss Attributable to:						
Equity holders of the Parent Company	**(16,324,751)**	(46,129,738)	29,804,987	-65%	-400%	-3388%
Non-controlling interests	**(90,084)**	(935,011)	844,927	-90%	-2%	-69%
	(16,414,835)	(47,064,749)	30,649,914	-65%	-402%	-3456%

APC Group, Inc. reported consolidated net loss of ₱16.4 million for 2017, 65% better than the ₱47.1 million net loss reported in the previous year.

Revenue

The Company recorded revenues of ₱4.1 million for the year ended 2017, 200% higher than the ₱1.4 million revenues recognized in 2016. This increase in revenue is due to the Company's higher interest income for 2017 as the Company continues to invest its cash in interest-earning investments.

Costs and Expenses

The Company's costs and expenses amounting to ₱20.5 million in 2017 is 41% lower than the ₱34.8 million expenses recorded in 2016 due to the following:

- One-off recording of provisions were in 2016 was not present in 2017;
- 2017 recorded lower taxes and licenses versus 2016 wherein the Company capital gains taxes on the sale of investment properties;
- Rental and utilities are lower in 2017 in line with the Company transferring to an office space with a lower lease rate.

Other Income (Expenses)

Other expenses decreased by 100% in 2017 as the Company recognized one-off losses in 2016 related to the sale of investment property and others, which are only partially offset by the gain on fair value change in investment property.

(Amounts in Pesos, except percentages)	Year on Year		Horizontal Analysis		Vertical Analysis	
	Dec 31 2017	Dec 31 2016	Increase (Decrease) Amount	%	2017	2016
Net Loss	**(16,414,835)**	(47,064,749)	30,649,914	-65%	-402%	-3456%
Other Comprehensive Income						
Unrealized mark-to-market gain on available-for-sale financial assets	**1,144,620**	3,370,270	(2,225,650)	-66%	28%	247%
Remeasurement gain on defined benefit obligation	**625,727**	-	625,727	100%	15%	0%
Total Comprehensive income (loss)	**(14,644,488)**	(43,694,479)	29,049,991	-66%	-359%	-3209%
Total Comprehensive Loss Attributable to:						
Equity holders of the Parent Company	**(14,554,404)**	**(42,759,468)**	**28,205,064**	**-66%**	-357%	-3140%
Non-controlling interests	**(90,084)**	**(935,011)**	**844,927**	**-90%**	-2%	-69%
	(14,644,488)	**(43,694,479)**	**29,049,991**	**-66%**	-359%	-3209%

Comprehensive Income (Loss)

Due to the improvement in the Company's net income, its comprehensive net loss improved by 66% from ₱43.7 million in 2016 to ₱14.6 million in 2017. Unrealized mark-to-market gain on its AFS as well as re-measurement gain on its defined benefit obligation also contributed to a better comprehensive net income for 2017.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Pesos, except percentages)	December 31 2017	December 31 2016	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2017	2016
ASSETS						
Cash and cash equivalents	**196,586,234**	138,624,426	57,961,808	42%	66%	44%
Trade and other receivables - net	**941,677**	81,769,879	(80,828,202)	-99%	0%	26%
Available-for-sale financial assets	**8,669,571**	7,524,951	1,144,620	15%	3%	2%
Other current assets	**8,504,516**	7,533,539	970,977	13%	3%	2%
Property and equipment	**24,546**	125,585	(101,039)	-80%	0%	0%
Investment properties	**22,374,000**	22,374,000	-	0%	8%	7%
Other noncurrent assets - net	**59,892,558**	59,203,236	689,322	1%	20%	19%
Total Assets	**296,993,102**	317,155,616	(20,162,514)	-6%	100%	100%
LIABILITIES AND EQUITY						
Trade and other payables	**31,051,650**	36,595,555	(5,543,905)	-15%	10%	12%
Income tax payable	**-**	71,437	(71,437)	-100%	0%	0%
Advances from related parties	**80,004,536**	79,772,006	232,530	0%	27%	25%
Subscriptions payable	**161,959**	161,959	-	0%	0%	0%
Accrued retirement costs	**2,665,286**	2,800,500	(135,214)	-5%	1%	1%
Total Liabilities	**113,883,431**	119,401,457	(5,518,026)	-5%	38%	38%
Capital Stock	**6,388,078,749**	6,388,078,749	-	0%	2151%	2014%
Additional paid-in capital	**1,613,942,096**	1,613,942,096	-	0%	543%	509%
Unrealized mark-to-market gain on available-for-sale financial assets	**7,821,570**	6,676,950	1,144,620	17%	3%	2%
Gain on dilution	**226,304**	226,304	-	0%	0%	0%
Remeasurement loss on defined benefit obligation	**(2,237,878)**	(2,863,605)	625,727	-22%	-1%	-1%
Deficit	**(7,785,133,308)**	(7,768,808,557)	(16,324,751)	0%	-2621%	-2450%
Treasury shares	**(29,435,220)**	(29,435,220)	-	0%	-10%	-9%
Equity Attributable to Non-controlling Interests	**(10,152,642)**	(10,062,558)	(90,084)	1%	-3%	-3%
Total Equity	**183,109,671**	197,754,159	(14,644,488)	-7%	62%	62%
Total Liabilities and Equity	**296,993,102**	317,155,616	(20,162,514)	-6%	100%	100%

Assets

The Company recorded consolidated assets of ₱297.0 million as at December 31, 2017, lower by 6% from ₱317.2 million in 2016. The main movements in the balance sheet are as follows:

- Cash and cash equivalents increased by 42% from ₱138.6 million in 2016 to ₱196.6 million in 2017. This is mainly attributable to the full collection on the outstanding receivables from the sale of investment property amounting to ₱80.0 million during the year. The increase in cash was offset by disbursements for general and administrative expenses amounting to ₱ 20.5 million.
- In relation to the collection of receivables, trade and other receivables decreased by 99% from 2016.
- Available-for-sale financial assets increased by 15% from ₱7.5 million in 2016 to ₱8.7 million in 2017 mainly due to the favorable increase in market price of stocks held by the Company as of yearend.

Liabilities

Consolidated liabilities decreased by 5% or by ₱5.5 million. This is primarily due to the payment of trade and other payables of the Company especially in relation to the community development of APEC.

Equity

Stockholders' equity decreased by 7% from ₱197.8 million in 2016 down to ₱183.1 million in 2017 due to comprehensive net loss recognized in 2017 amounting to ₱14.6 million.

The Company does not foresee any cash flow problems during the next twelve months. The Company has enough cash to meet cash requirements in 2018.

There were no off-balance sheet transactions.

As of December 31, 2017, 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, 2017 to December 31, 2016.

KEY PERFORMANCE INDICATORS

Management uses the following key performance indicators to evaluate the performance of the Group. 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).** ROA 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).** ROE 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).** AER 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.

Financial Ratios	YTD 31 December 2020	YTD 31 December 2019
Return on Assets Ratio	(0.02)	(0.02)
Return on Equity Ratio	(0.04)	(0.03)
Current Ratio	0.23	1.28
Debt to Equity Ratio	0.75	0.69
Asset to Equity Ratio	1.75	1.69

Discussion on the key performance indicators

Return on Assets Ratio and Return on Equity Ratio

The Company's ROA and ROE for 2020 and 2019 are negative due to the reported a net losses for both years. There is no significant movement in these ratios from 2019 to 2020.

Current Ratio

Current Ratio decreased from 1.28 in 2019 to 0.23 in 2020 largely due to the decrease in cash used to further the Company's contribution to the Kalinga Project during the year. This resulted to a decrease in cash balance and an increase in Deferred Exploration Costs under noncurrent assets.

Debt to Equity Ratio

There is no significant change in the Company's debt to equity ratio as of December 31, 2020 and 2019.

Assets to Equity Ratio

There is no significant change in the Company's assets to equity ratio as of December 31, 2020 and 2019.

Key Variables and other Qualitative and Quantitative Factors

The Company expects no material commitments for capital expenditures and expected funds in 2020. To the best of the Company's knowledge, aside from what has already been mentioned in the preceding, there are no known trends, events or uncertainties that will have a material impact on revenues; no significant elements of income or loss that did not arise from continuing operations aside from those disclosed in the Notes to the Audited Financial Statements; and no seasonal aspects with material effect on results of operations.

APC Group, Inc. maintains sufficient cash balances to meet minimum operational requirements, as determined by management from time to time. Additional cash requirements are sourced from affiliates. To the best of the Company's knowledge, there are no known trends, events or uncertainties that will have a material impact on its liquidity.

ANNEX TO THE MD&A SECTION

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries (collectively referred to as the "Company"):

	Percentage of Ownership		
Subsidiaries	Direct	Indirect	Total
Aragorn Power & Energy Corporation (APEC) (1)	95.6%	-	95.6%
PRC Magma Energy Resources Inc. (PRC-Magma) (2)	-	85.0%	85.0%
APC Cement Corporation (APC Cement) (2)	100.0%	-	100.0%
APC Energy Resources, Inc. (APC Energy) (2)	100.0%	-	100.0%
APC Mining Corporation (APC Mining) (2)	83.0%	-	83.0%

(1) Still in exploration stage
(2) Still in the pre-operating stage

2. RISK EXPOSURES

Financial Risk Management

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's principal financial assets include cash and cash equivalents and receivables that derive directly from its operations. Other financial instruments consist of financial assets at FVOCI and deposits.

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

<u>Credit Risk</u>

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

Exposure to credit risk is monitored on an ongoing basis, credit checks are performed on all clients requesting credit over certain amounts. Credit granted is subject to regular review, to ensure it remains consistent with the customers' current credit worthiness and appropriate to the anticipated volume of business. The investment of the Company's cash resources is managed so as to minimize risk while seeking to enhance yield. The Company is exposed 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.

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 as at December 31 are follows:

	2020				
	Neither Past Due nor Impaired	Past Due but not Impaired 1-60 Days	>60 Days	Impaired	Total
Cash and cash equivalents*	**₱21,465,809**	**₱–**	**₱–**	**₱–**	**₱21,465,809**
Receivables:					
Advances to AKHI	**3,482,649**	–	–	–	**3,482,649**
Advances to officers and employees	**180,906**	–	–	–	**180,906**
Others	**38,718**	–	–	–	**38,718**
Deposits**	**23,822**	–	–	–	**23,822**
Financial assets at FVOCI	**2,829,755**	–	–	–	**2,828,755**
	₱28,021,659	**₱–**	**₱–**	**₱–**	**₱28,020,659**

**Excluding cash on hand amounting to ₱10,000*
***Presented under "Other noncurrent assets" account.*

	2019				
	Neither Past Due nor Impaired	Past Due but not Impaired 1-60 Days	>60 Days	Impaired	Total
Cash and cash equivalents*	₱137,481,340	₱–	₱–	₱–	₱137,481,340
Receivables:					
Advances to AKHI	1,431,578	–	31,062	–	1,462,640
Advances to officers and employees	83,836	–	–	–	83,836
Others	37,718	–	–	–	37,718
Deposits**	23,822	–	–	–	23,822
Financial assets at FVOCI	3,624,630	–	–	–	3,624,630
	₱142,682,924	₱–	₱31,062	₱–	₱142,713,986

**Excluding cash on hand amounting to ₱10,000*
***Presented under "Other noncurrent assets" account.*

The financial assets are grouped according to stage whose description is explained as follows:

Stage 1 - Those that are considered current and up to 90 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - Those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 90 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - Those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

As at December 31, 2020, the credit quality of the Group's financial assets are as follows:

	2020 ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Financial assets at amortized cost				
Cash and cash equivalents*	**₱21,465,809**	**₱–**	**₱–**	**₱21,465,809**
Receivables	**3,702,273**	–	–	**3,702,273**
Deposits**	**23,822**	–	–	**23,822**
Financial assets at FVOCI	**2,829,755**	–	–	**2,829,755**
Gross carrying amount	**₱28,021,659**	**₱–**	**₱–**	**₱28,021,659**

**Excluding cash on hand amounting to ₱10.0 thousand*
***Presented under "Other noncurrent assets" account*

As at December 31, 2019, the credit quality of the Group's financial assets are as follows:

	2019 ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Financial assets at amortized cost				
Cash and cash equivalents*	₱137,481,340	₱–	₱–	₱137,481,340
Receivables	1,584,194	–	–	1,584,194
Deposits**	23,822	–	–	23,822
Financial assets at FVOCI	3,624,630	–	–	3,624,630
Gross carrying amount	₱142,713,986	₱–	₱–	₱142,713,986

**Excluding cash on hand amounting to ₱10.0 thousand*
***Presented under "Other noncurrent assets" account*

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 Group's financial assets, which are used to meet its short-term liquidity needs, include cash and cash equivalents, receivables and financial assets at FVOCI totaling ₱28.0 million and ₱142.7 million as at December 31, 2020 and 2019, respectively.

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

	2020				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Over 1 Year**	**Total**
Trade and other payables*	**₱28,635,162**	**₱–**	**₱–**	**₱–**	**₱28,635,162**
Advances from a related party	**79,978,631**	**–**	**–**	**–**	**79,978,631**
	₱108,613,793	**₱–**	**₱–**	**₱–**	**₱108,613,793**

**Excluding statutory liabilities to the government.*

	2019				
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Trade and other payables*	₱28,555,780	₱–	₱–	₱–	₱28,555,780
Advances from a related party	79,978,631	–	–	–	79,978,631
	₱108,534,411	₱–	₱–	₱–	₱108,534,411

**Excluding statutory liabilities to the government.*

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 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 Group's exposure to quoted securities amounted to ₱2.8 million and ₱3.6 million as at December 31, 2020 and 2019, respectively.

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, 2020 and 2019) due to reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Change in Equity Price*	Effect on Equity
2020	**2%**	**₱63,590**
	(2%)	**(63,590)**
2019	4%	₱161,095
	(4%)	(161,095)

**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 Group 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 Group should be able to maintain a strong and solid capital structure.

The capital structure of the Group consists of capital stock and additional paid-in capital amounting to ₱178.7 million and ₱7,972.6 million after deduction treasury shares at December 31, 2020 and 2019, respectively.

There were no changes in the objectives, policies or procedures during the years ended December 31, 2020 and 2019.

Fair value of Financial Assets and Liabilities

A comparison by category of the carrying values and estimated fair values of the Group's financial instruments that are carried in the consolidated statements of financial position as at December 31, 2020 and 2019 are as follows:

Cash and Cash Equivalents, Receivables, Trade and Other Payables, and Advances from Related Parties

Due to the short-term nature of the transactions, the carrying values approximate the fair values at reporting dates.

Financial Assets at FVOCI

The fair values of quoted equity securities were determined by reference to market bid quotes as of reporting dates.

The following tables provide the fair value measurement hierarchy of the Group's assets and liabilities as at December 31, 2020 and 2019:

	2020			
	Valuation Date	**Total**	**Level 1**	**Level 2**
Assets measured at fair value:				
Investment property	**December 31, 2020**	**₱12,048,000**	**₱–**	**₱12,048,000**
Financial assets at FVOCI (Note 7)	**December 31, 2020**	**2,829,755**	**2,829,755**	**–**
Total financial assets		**₱14,877,755**	**₱2,829,755**	**₱12,048,000**

	2019			
	Valuation Date	Total	Level 1	Level 2
Assets measured at fair value:				
Investment property	October 12, 2016	₱10,028,870	₱–	₱10,028,870
Financial assets at FVOCI (Note 7)	December 31, 2019	3,624,630	3,624,630	–
Total financial assets		₱13,653,500	₱3,624,630	₱10,028,870

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 periods ended December 31, 2020 and 2019.

3. OTHER REQUIRED DISCLOSURES

A.) The attached interim financial reports were prepared in accordance with accounting standards generally accepted in the Philippines. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial Statements for the period ended December 31, 2020.

B.) Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.

C.) There were no material changes in estimates of amounts reported in prior periods that have material effects in the current interim period.

D.) Except as disclosed in the MD&A, there were no other issuance, repurchase and repayments of debt and equity securities.

E.) There were no material events that occurred subsequent to December 31, 2020 and up to the date of this report that need disclosure herein.

F.) There were no changes in the composition of the Company during the interim period such as business combinations, acquisition or disposals of subsidiaries and long-term investments, restructuring and discontinued operations, except as what has been discussed in the MD&A on the Company's quasi-reorganization.

G.) There were no changes in contingent liabilities or contingent assets since December 31, 2020 and as of date of this report.

H.) There exist no material contingencies and other material events or transactions affecting the current interim period.

Item 7. Financial Statements

The audited Financial Statements and Supplementary Schedules for the year 2020 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

Supplementary Schedules

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 August 10, 2020.

In 2018, Johnny F. Ang was assigned as SGV's partner-in-charge for the company. His appointment shall not exceed seven (7) years based on the code of ethics adapted by SEC through the revised SRC Rule 68.

The Audit Committee is composed of the following:

Rafael M. Alunan III	Chairman
Tomas D Santos	Member
Bernardo D. Lim	Member

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

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

External Audit Fees and Services

1. Audit fees for the audit of the Company's annual financial statements amounted to ₱510,000 in 2020 and 2019.

2. a. No other assurance and related services were rendered in 2020 and 2019.
   b. No tax services were rendered by the external auditor in 2020 and 2019.
   c. There were no other fees paid to the external auditor in 2020 and 2019.
   d. The audit committee approved the policies and procedures of the above services. The Board of Directors 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 Committee are:

Authority

1. Endorse the appointment, re-appointment or removal of the External Auditor;
2. Approve the appointment, evaluate the performance and confirm the removal of the Chief Audit Executive;
3. Review, evaluate, and recommend to the Compensation and Remuneration Committee the remuneration of the Chief Audit Executive;
4. Approve the budget and resource plan of the Internal Audit Department;
5. Seek any information it requires from Management, and all other employees;
6. Gain access to all records, documents, properties, assets and personnel within the Company;
7. Review the scope of work of the auditors after considering their assessment of internal controls and risks identified;
8. Secure adequate resources to enable it to effectively discharge its functions;
9. Obtain any external professional advice and expertise if so required; and
10. Investigate any activities within its scope of responsibilities, or as may be required by the Board.

Duties and Responsibilities

1. Financial Statements and Reporting
   a. Review the impact of changes in significant accounting policies and practices, alternative treatments of financial information within Philippine financial reporting standards, significant adjustments resulting from an audit, going concern assumptions, reporting issues including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements on the financial statements.
   b. Review with Management and the external auditors the results of the audit, including any difficulties encountered.
   c. Review and endorse to the Board for approval, Company financial statements and related reports; consider their completeness and consistency with information known to the Committee and compliance with accounting principles and standards, and regulatory requirements.
   d. Review accuracy and completion of other sections of the annual report and related regulatory filings before release.
   e. Understand how Management develops interim financial information, and the nature and extent of internal and external auditor involvement; and review same before filing with regulators.

2. Internal Control
   a. Ensure a review of the effectiveness of the Company's internal control systems, including information technology security and control and risk management system.
   b. Understand and review the scope of internal and external auditors' review of internal controls over financial reporting, and obtain regular reports on significant findings and recommendations, together with Management's responses.

3. Internal Audit
   a. Oversee the appointment of the Head of Internal Audit including his/her replacement, reassignment, or dismissal.
   b. Provide oversight and evaluation of the performance of the Company's Head of Internal Audit and Internal Audit Group.
   c. Review with Management and the Head of Internal Audit, the Charter, plans, budget, activities, staffing, access to financial and other resources and organizational structure of the internal audit function and any amendments thereto.
   d. Review the effectiveness of the internal audit function, including compliance with the Institute of the Internal Auditors' StandardsReview the Internal Audit Group including its independence and the authority of its reporting relationships.
   e. Ensure that the Internal Audit Group has full access to Company records, personnel and properties that are relevant to the discharge of its scope and function.
   f. On a regular basis, meet separately with the Head of Internal Audit to discuss any matter that the Committee or the Internal Audit Group believe should be discussed privately.
   g. Ensure the adequacy of the internal audit activity's purpose authority and responsibility through the review and approval the Internal Audit Charter at least on an annual basis.
   h. Ensure that the internal audit function has a quality assurance and improvement program and that the results of these periodic assessments (both internal and external) are presented to the Audit Committee.

4. External Audit
   a. Appoint and evaluate the performance of the External Auditor including the removal of the External Auditor if circumstances warrant.
   b. Review the External Auditors' proposed audit scope and approach.

c. 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 and by ensuring that key partners are rotated at appropriate intervals.
d. Ensure that External Auditors have free and full access to the Company's records, properties, and personnel to enable them to perform their audit functions.
e. Resolve any disagreement between Management, the Internal Audit Group and the External Auditors regarding financial reporting.
f. On a regular basis, meet separately with the external auditors to discuss any matter that the Committee or auditors believe should be discussed privately.

5. Compliance
   a. Review and continually improve the effectiveness of the system for monitoring the results of Management's investigation and follow-up (including violations against the Code of Ethics) of any instance of non-compliance.
   b. Review the findings from any examinations by regulatory bodies, and any audit observations.
   c. Review the process for communicating and compliance of the Code of Ethics to Company personnel.
   d. Obtain regular updates from Management and the Compliance Officer regarding compliance matters.

6. Reporting Responsibilities
   a. Regularly report to the Board the Committee's activities, findings, decisions, deliberations and recommendations.
   b. Provide an open avenue of communication between and among the Chief Audit Executive and Internal Audit Group, the external auditors, the Compliance Officer, the Chief Risk Officer and the Board.
   c. Report annually to the shareholders, describing the Committee's composition, responsibilities and how they were discharged and any other information required by regulators, including approval of non-audit services.
   d. Review any other reports the Company issues that relate to the Committee responsibilities, such as but not limited to reports on the Policy on Accountability, Integrity and Vigilance (PAIV).

7. Fraud
   a. Obtain reasonable assurance with respect to the organization's procedures for the prevention and detection of fraud.
   b. Oversee management's arrangement for the prevention and deterrence of fraud.
   c. Oversee fraud investigation and undertake to investigate possible cases of fraud, when and as instructed by the Committee Chairperson and/or the President.
   d. Ensure that appropriate action is taken against know fraud perpetrators.

8. Other Responsibilities
   a. Perform other activities related to this Charter as requested by the Board.
   b. 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.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

All incumbent directors, elected on August 10, 2020 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	64	Chairman	Filipino
Jackson T. Ongsip	47	President/CEO//Director	Filipino
Edmundo L. Tan	74	Director	Filipino
Bernardo D. Lim	73	Director	Filipino
Virginia A. Yap	69	Director	Filipino
Tomas D. Santos	67	Director-independent	Filipino
Rafael M. Alunan III	72	Director-independent (Lead)	Filipino
Richard Anthony D. Alcazar	50	Corporate Secretary	Filipino
Ian Jason R. Aguirre	43	Vice President-CFO/Chief Compliance Officer/Chief Risk Officer/Treasurer	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 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:

Mr. Willy N. Ocier, 64, is the Chairman of the Board of the Company. He is also an Executive Director and Chairman of Belle Corporation, Premium Leisure Corp., Pacific Online Systems Corporation and PremiumLeisure and Amusement, Inc. He is likewise the Vice Chairman of Tagaytay Highlands International Golf Club, Inc. and Highlands Prime, Inc. He is the Chairman and Director of Tagaytay Midlands Golf Club, Inc., The Country Club at the Tagaytay Highlands, Inc., The Spa and Lodge, Inc. Mr. Ocier is also the Chairman, President, and Chief Executive Officer of Philippine Global Communications, Inc., and Chairman of Total Gaming and Technologies, Inc. He is a Director of Leisure and Resorts World Corporation. He also sits as a Director for the following unaffiliated corporations: lVantage Equities, Philequity Management, Inc., Abacore Capital Holdings, Inc. and Toyota Corporation Batangas. He was formerly President and Chief Operating Officer of Eastern Securities Development Corporation. Mr. Ocier graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics. ln recognition of Mr. Ocier's corporate leadership and role in providing employment opportunities to Filipinos, the University of Batangas conferred him a degree in Doctor of Humanities, honoris causa.

Mr. Jackson T. Ongsip, 47, is the President andChief Executive Officer of the Company. He is also the Vice President for Finance, Treasurer and Chief Financial Officer (CFO) of Premium Leisure Corp., Vice President for Portfolio Investments of SM Investments Corporation, Executive Vice President, CFO and Treasurer of Belle Corporation. Mr. Ongsip is also a Certified Public Accountant with an extensive audit and finance background accumulated from 5 years in external audit with SyCip, Gorres, Velayo & Co., 11 years with Globe Telecom and 8 years now with the SM Group. He graduated from the University of Santo Tomas with a Bachelor of Science in Accountancy.

Mr. Edmundo L. Tan, 74, is a Director of APC Group, Inc. from 2000 up to the present and as Corporate Secretary from 2000 until 2016. He serves as Director of Philippine Global Communications, Inc. from 2000 up to the present and as Corporate Secretary from 2000 until 2010. He is a director of Aragorn Power and Energy Corporation from 2005 up to the present and as Corporate Secretary from 2005 up to 2012. He is currently a Director of PRC MAGMA Resources, Inc. (2010 up to the present). He is a director of OLC Holdings, Inc. from

July 2012 up to the present. He was elected as director of Sagittarius Mines, Inc. in March 2016. On 12 December 2019 he was elected Director of Concrete Aggregates Corporation. He serves as Corporate Secretary of BDO Unibank, Inc. from July 2007 up to the present and BDO Private Bank from February 2012 up to the present. He was formerly a Director of BDO Leasing & Finance, Inc. and now serves as Adviser of the Board.

He was a co-founder and was elected President of Philippine Dispute Resolution Center, Inc. (PDRCI) in July 2017.

Atty. Tan is the Managing Partner of Tan, Acut Lopez & Pison Law Offices (1993 up to present). 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.

He was a founder and was elected President of Philippine Dispute Resolution Center, Inc. (PDRCI) in July 2017.

Atty. Tan is the Managing Partner of Tan, Acut Lopez & Pison Law Offices (1993 up to present). 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

Mr. Bernardo D. Lim, 73, is a Director of the Company since 2001. He was the General Manager for Finance of P.T. Bakrie Sumatra Plantations in Indonesia before he joined APC Group. He also 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; Vice President and Director of Philippine Global Communications. Mr. Lim was also Controller of Philippine Iron Mines. He was previously the President of Aragorn Power and Energy Corp., Aragorn Coal and APC Mining. He was also Executive Vice President and Chief Financial Officer of APC Group, Inc. before he retired on March 31, 2014. 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.

Ms. Virginia A. Yap, 69, is a Director of APC Group, Inc.. She is a Non-Executive Director of Belle Corporation . Ms. Yap holds key positions in SM Investments Corporation as a Senior Vice President – Office of the Chairman Emeritus and Securities Department. .

She holds a Bachelor of Science in Commerce (Major in Accounting) degree from the University of Mindanao.

Mr. Tomas D. Santos, 67, is an independent director of the Company from 6 June 2012 up to the present. He 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.

Mr. Laurito E. Serrano, 60, was an independent director of the Company from 18 June 2013 up to August 10, 2020. He is a Certified Public Accountant with a Masters in Business Administration degree from the Harvard Graduate School of Business. His area of specialization is Financial Advisory and Corporate Finance. Mr. Serrano currently serves as independent director and Chairman of the Audit and Compliance Committee of Rizal Commercial Banking Corporation (RCBC), independent director and Chairman of the Audit and Risk Management Committee of Atlas Consolidated Mining Development Corporation (AT), independent director and

Chairman of the Audit Committee of 2Go Group, Inc., and independent director of Pacific Online Systems Corporation (LOTO). He also serves as a director in Axelum Resources Corporation (AXLM) and MRT Development Corporation, among others. Mr. Serrano is also a former partner of the Corporate Finance Consulting Group of SGV & Co.

Mr. Rafael M. Alunan III, 72, is an Independent Director of the Company who was elected on August 10, 2020. He sits on various Boards of Directors: as Vice-Chair, Pepsi Cola Products (Philippines), Inc. and chairs the Audit Committee (PCPPI); Metro Global Holdings Corp. and chairs the Risk and Corporate Governance Committees; as Chairman, Philippine Council for Foreign Relations (PCFR) and Harvard Kennedy School Alumni Association of the Philippines Inc. (HKSAAPI); as President, Philippine Taekwondo Foundation.

He also sits on the board of the Spirit of EDSA Foundation; founded One Philippines Party List; and serves as Senior Adviser to United Harvest Corp., Kaltimex Energy Phils, and United Defense Manufacturing Corp.

Mr. Alunan is an Eminent Fellow of the Development Academy of the Philippines (DAP); and Fellow of the Institute of Corporate Directors (ICD) and Institute for Solidarity in Asia (ISA). He co-authored the book entitled "Silver Linings"; and produced the documentary entitled "Tagaligtas"; and is a member of the Maritime League; the Fraternal Order of Eagles of the Philippines; and Zeta Phi Omega fraternity. He holds the rank of Colonel in the Armed Forces of the Philippines, and commanded the 131st Infantry Division (Standby Reserve) and the 9th Infantry Division (Ready Reserve) of the Philippine Army. He is an adopted member of Philippine Military Academy Marangal Class of 1974, PCSpecial Action Force, Special Forces Regiment (Airborne) and First Scout Ranger Regiment.

Mr. Alunan obtained his double degree in Business Administration and History-Political Science from De La Salle University; attended Ateneo de Manila University's Master in Business Administration-Senior Executive Program; earned a Master's degree in Public Administration and a certificate in Executive Education from Harvard Kennedy School of Government; and graduated from the Philippine Army's Command and General Staff College Operations Course.

Mr. Alunan served in the Cabinets of Presidents Corazon C. Aquino and Fidel V. Ramos as Secretary of Tourism and Secretary of the Interior and Local Government, respectively.

Mr. Richard Anthony D. Alcazar, 50, Atty. Richard Anthony D. Alcazar is the Corporate Secretary of Philippine Global Communications, Inc. since June 22, 2010. He was appointed Corporate Secretary of BDO Leasing & Finance Inc. in 2009. He is a partner in Tan Acut Lopez & Pison Law Offices and his practice is primarily devoted to the fields of corporation law and taxation. He was formerly a Director in the Tax Division of Sycip Gorres Velayo & Co. where he worked as a tax practitioner from November 1994 to December 2002.

Atty. Alcazar graduated with a Bachelor of Science degree in Business Economics from the University of the Philippines School of Economics and a Bachelor of Laws degree from the University of the Philippines College of Law. He also holds a Master of Arts degree in International Development from the International University of Japan with Public Finance as field of concentration. He is a member of the Integrated Bar of the Philippines and the Tax Management Association of the Philippines.

Mr. Ian Jason R. Aguirre, 43, was appointed as the Executive Vice President and Chief Financial Officer of the Company effective August 13, 2015. Mr. Aguirre is concurrently a Vice President of SM Investments Corporation ("SMIC"), Investments Portfolio and Vice President and Chief Financial Officer of Philippine Geothermal Production Company. He has worked in various management positions over a 20+ year career that included local and international experience in strategic planning, operations and business development. His last stint prior to joining SMIC was as a Director for CEMEX Asia Pte. Ltd. Mr. Aguirre holds a Bachelor of Science degree in Industrial Engineering from the University of the Philippines and a Master's degree in Business Management from the Asian Institute of Management.

Family Relationships

All directors and officers are not related either by consanguinity or affinity.

Involvement in Certain Legal Proceedings

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

(a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(b) any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding;

(c) being subject to order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above persons in any type of business, securities, commodities or banking activities; and,

(d) being found 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.

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 Chief Executive Officer and Chief Finance Officer of the Company are as follows:

Name and Principal Position
1. Jackson T. Ongsip[1] CEO, President
2. Ian Jason Aguirre[1] CFO, Vice-President, Chief Compliance Officer, Chief Risk Officer, and Treasurer

Summary of Compensation Table	Year	Amount
CEO & Most Highly Compensated Executive Officers	2021 (estimate)	₱1,944,667
	2020 (actual)	1,944,667
	2019 (actual)	2,304,000
All Other officers as a group unnamed	2021 (estimate)	–
	2020 (actual)	–
	2019 (actual)	–

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

(2) Compensation of Directors

Directors	Gross Allowances for Board Meetings attended in 2020 (PHP)
Willy N. Ocier	35,000.00
Jackson T. Ongsip	35,000.00
Bernardo D. Lim	35,000.00
Edmundo L. Tan	30,000.00
Virginia A. Yap	35,000.00
Tomas D. Santos	20,000.00
Rafael M. Alunan III[a]	25,000.00
Laurito E. Serrano[b]	5,000.00

[a] elected on August 10, 2020
[b] up to August 10, 2020

<u>Standard Arrangements</u>

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

<u>Other Arrangements</u>

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

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

None.

(4) 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

(1) Security Ownership of Certain Record and Beneficial Owners

The following persons or groups are directly or indirectly the record or beneficial owners of more than 5% of the Company's voting shares (common) as of December 31, 2020:

Title of Class	Name and address of record and relationship with issuer	Name of beneficial owner and relationship with record holder	Citizenship	No. of shares held	Percent of class
Common	Belle Corporation 5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila (**Parent**)	(Note 1)	Filipino	3,5000,000,000	46.64%
Common	PCD Nominee Corp G/F Makati Stock Exchange, Ayala Ave. Makati City (**Stockholde**r)	(Note 1)	Filipino	2,326,508,165	31.00%

Notes

1.) *Belle Corporation is a publicly-listed corporation which was registered in PCD in 2017*
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.*

(2) Security Ownership of Management

The following table shows the shareholdings of the following directors and officers as of December 31, 2020.

Title of Class	Name of Beneficial Owner	Amount and nature of beneficial ownership (direct)	Citizenship	Percent of Class
Common Stock	Willy N. Ocier	310,001	Filipino	0.00
-do-	Bernardo D. Lim	1,000	Filipino	0.00
-do-	Edmundo L. Tan	1	Filipino	0.00
-do-	Tomas D. Santos	1	Filipino	0.00
-do-	Virginia A. Yap	10,001	Filipino	0.00
-do-	Laurito E. Serrano[a]	1	Filipino	0.00
-do-	Rafael M. Alunan III[b]	1	Filipino	0.00
-do-	Jackson T. Ongsip	1	Filipino	0.00
-do-	Richard D. Alcazar	0	Filipino	–
-do-	Ian Jason R. Aguirre	0	Filipino	–
	Total	**321,007**		

[a] up to August 10, 2020
[b] elected on August 10, 2020

(3) Voting Trust Holders of 10% or More

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

(4) Changes in Control

There are no arrangements which may result in a change in control of the Company.

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.

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

Related party transactions pertain to the availment of non-interest-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 a Related Party	Terms	Conditions
Stockholder					
Belle					
(1) Advances	**2020**	**₱–**	**(₱79,406,947)**	On demand;	Unsecured
	2019	–	(79,406,947)	Noninterest-bearing	
(2) Share in expenses	**2020**	–	**(571,684)**	On demand;	Unsecured
	2019	–	(571,684)	Noninterest-bearing	
Total					
Advances from a related party	**2020**		**(₱79,978,631)**		
	2019		(79,978,631)		

Compensation and benefits of key management personnel of the Company for the year ended December 31, 2020 and 2019 consists of the following:

	2019	2018
Salaries	**₱1,944,667**	₱2,304,000
Retirement costs	**345,507**	190,543
	₱2,290,174	₱2,494,543

PART IV - EXHIBITS AND SCHEDULES

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

(a) Exhibits - 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 14, 2020	Notice of 2020 Annual Stockholders' Meeting
February 14, 2020	Amendment to Articles of Incorporation
February 24, 2020	Quasi-Reorganization
February 26, 2020	Approval of Amendments to APC Group, Inc.'s Articles of Incorporation
February 26, 2020	Approval of APC Group, Inc.'s Change in Par Value
February 28, 2020	2019 Audited Financial Statement
March 16, 2020	Current Report under Section 17 under the Securities Regulation Code amid COVID-19 Pandemic
April 29, 2020	Postponement of Annual Stockholders' Meeting
April 29, 2020	Notice of 2020 Annual Stockholders' Meeting
June 25, 2020	Notice of 2020 Annual Stockholders' Meeting
August 10, 2020	Results of 2020 Annual Stockholders' Meeting
August 10, 2020	Results of Organizational Meeting of the Board of Directors
September 3, 2020	Resignation of Officer
December 10, 2020	Notice of 2021 Annual Stockholders' Meeting
December 21, 2020	Resignation of Officer

PART V - CORPORATE GOVERNANCE

Compliance with Corporate Governance Practices

The Company remains focused on insuring the adoption of systems and practices of good corporate governance in enhancing value for its shareholders.

Board Attendance

Regular meetings of the Board are scheduled before the beginning of the year and are held at least six (6) times annually. Special meetings may also be called by the Chairman, the President or Corporate Secretary. A director's absence or non-participation in more than fifty percent (50%) of all meetings in a year is a ground for temporary disqualification in the succeeding election. During 2019, each of the Company's directors have complied with the requirements.

Below table shows the attendance of each board member in the meetings conducted during the year:

Attendance in Board of Directors' Meetings in 2020							
Director		02/14/20	06/25/20	08/10/20*		11/04/20	12/10/20
1	Willy N. Ocier	✓	✓	✓	✓	✓	✓
2	Jackson T. Ongsip	✓	✓	✓	✓	✓	✓
3	Bernardo D. Lim	✓	✓	✓	✓	✓	✓
4	Edmundo L. Tan	✓	-	✓	✓	✓	✓
5	Virginia A. Yap	✓	✓	✓	✓	✓	✓
6	Laurito E. Serrano**	✓	✓	N.A.	N.A.	N.A	N.A.
7	Tomas D. Santos	✓	✓	✓	-	✓	✓
8	Rafael M. Alunan III***	N.A.	N.A.	✓	✓	✓	✓

* Regular and Organizational
** Until August 10, 2020 only
*** Elected on August 10, 2020

Board Performance Evaluation

The Company conducts annual performance evaluations of the Board, its individual members and Board Committees to ensure optimum Board performance. In this evaluation process, directors identify areas for improvement, some of which are: the timeliness and integrity of information given to them, directors' access to management, and the Corporate Secretary , and other forms of assistance as needed. The Board reviews the results of these evaluations and agrees on clear action plans to address any issues raised. In line with governance best practices, the board evaluations shall be facilitated by a third-party independent assessor every three (3) years reckoned from January 1, 2017 (effectivity date of the 2016 Code of Corporate Governance for Publicly Listed Companies).

The annual performance evaluations of the Board, its individual members and Board Committees was conducted on February 14, 2020. The appraisal form that was used for such is found in the company website:

http://www.apcaragorn.net/index.php/corporate-governance/board-committees/bm-i/send/111-board-matters/483-annual-performance-evaluation-form-2019

Continuing Education Programs

The Board identifies areas of continuing education on corporate governance topics they require. To keep the Board and key officers well-informed of governance-related developments, regular annual education programs are conducted in coordination with SM Investments Corporation and training providers duly accredited by the SEC. The Directors and key officers of the Company had their annual training in October 2018 conducted by the Institute of Corporate Directors.

Manual on Corporate Governance

In compliance with the initiative of the SEC, APC submitted its Revised Manual on Corporate Governance (the "Revised Manual") to the SEC. The Revised Manual institutionalizes the principles of good corporate governance in the entire Company. APC believes that corporate governance, the framework of rules, systems and processes governing the performance of the Board and Management of their respective duties and responsibilities, and from which the organization's values and ethics emerge, is of utmost importance to the Company's shareholders and other stakeholders, which include, among others, clients, employees, suppliers, financiers, government and community in which it operates. The Company undertakes every effort possible to create awareness throughout the entire organization.

Board Committees

Even prior to the submission of its Manual, the Company already created various Board-level committees. These committees were comprised of:

1. The Executive Committee – to oversee the management of the Company and is responsible for the Company's goals, finances and policies;
2. Audit Committee – to review financial and accounting matters;
3. Compensation and Remuneration Committee – to look into an appropriate remuneration system;
4. Risk Oversight Committee – to review the policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks;
5. Related Party Transactions Committee – to assess material agreements with related parties to ensure that the RPT are conducted at market rates and on an arm's length basis; and
6. Corporate Governance Committee – to assist and advise the Board in performing corporate governance compliance responsibilities in relation with the Company's Revised Manual on Corporate Governance, the Philippine Code of Corporate Governance, and the disclsoure rules of the SEC and the PSE.
   - Nomination Committee – for the selection and evaluation of qualifications of directors and officers. On May 9, 2018, the Nomination Committee was merged with the Corporate Governance Committee.

Each of the above is guided by their respective Committee Charters that indicates the purpose, composition, duties and responsibilities. The Board Committee Charters are reviewed annually.

Risk Oversight Committee

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.

The Risk Oversight Committee (ROC) evaluates the effectiveness of the Company's risk management system on an annual basis. The Board of Directors, through the ROC, has reviewed the Company's risk management system for 2020 and has found the same effective and adequate.

The Audit Committee

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 Board of Directors, through the Audit Committee, has reviewed the effectiveness of the Company's internal control system, including the information technology security controls. Effective and adequate internal control mechanisms are in place, implemented and properly complied with for the year 2020.

Corporate Objectives

The Board establishes the corporate objectives, which are:

- To create opportunities for growth through strategic and viable investments and to enhance shareholder value for APC's partners and investors; and
- To promote mutually beneficial relationship with all the stakeholders that is grounded on transparency, integrity and respect and to enhance the quality of life of the communities it serves.
- Participation in activities that develop the quality of life in the communities it serves through scholarship and other programs for ancestral domains.

Code of Business Conduct and Ethics

The Company remains committed to align with the best corporate governance practices following the release of the 2016 Code of Corporate Governance for Publicly-Listed Companies. In addition to the Revised Manual, the Company's Code of Business Conduct and Ethics (CBCE) defines good governance, ethics and compliance practices expected throughout the organization. The Revised Manual and CBCE are communicated to directors, officers and employees to ensure familiarity and adherence. These documents are also made public through the Company's website.

Governance Policies

Corporate policies on governance were developed, submitted to and approved by the Board to protect the interests and rights of the shareholders and stakeholders and to promote transparency and accountability. Such governance related policies are shown below and may be viewed through the APC Corporate website http://www.apcaragorn.net: These policies and procedures are initially cascaded throughout the organization via email blast, intranet portal and annual corporate governance trainings. The Board, through its various Board Committees, ensures that adequate internal control mechanisms are implemented and properly complied in all levels.

1. Accountability, Integrity and Vigilance (Whistle-Blowing)
2. Alternative Dispute Resolution
3. Board Diversity
4. Conflict of Interest
5. Corporate Disclosures
6. Directors' Board Seats Held in Other Companies
7. Employees' Safety, Health and Welfare
8. Gifts / Hospitality / Entertainment
9. Insider Trading
10. Material Related Party Transactions
11. Succession Planning and Retirement Age for Directors and Key Officers
12. Tenure of Independent Directors
13. Vendor Accreditation and Selection
14. Material Related Party Transactions

Alternative Dispute Resolution

A neutral third party participates to assist in the resolution of issues between the Company and stockholders, third parties and regulatory authorities. The alternative dispute resolution system may include arbitration, mediation, conciliation, early neutral evaluation, mini-trial, or any combination thereof, as the Company and the circumstances sees fit.

Consideration is given to the need to promote candor through confidentiality of the process, the policy of fostering prompt, economical, and amicable resolution of disputes in accordance with the principles of integrity of determination by the parties, and the policy that the decision-making authority in the process rests with the parties. There were no conflicts between the corporation and its stockholders, the corporation and third parties, and the corporation and regulatory authorities, for the last three years.

Board Diversity

The Corporate values and promotes a diversity policy in the composition of our Board to reinforce its effectiveness in providing strategic direction, oversight and compliance with laws and regulations.

Diversity in age, gender, ethnicity, experience, field expertise, and personal qualities shall be considered by the Board as it installs a process of selection to ensure a mix of competent directors and key officers. Diversity will foster critical discussion and promote balanced decisions by the Board by utilizing the difference in perspective of its directors.

APC Board Skill Set Matrix				INDUSTRY EXPERIENCE / EXPERTISE / COMPETENCIES																		
NAME and DESIGNATION	AGE	GENDER	EDUCATIONAL BACKGROUND	Accounting / Audit	Anti-Money Laundering	Banking	Corp. Gov.	Economics	Finance	Hospitality / Leisure	IT / Comm	Insurance	Investment	Internal Control	Law	Management	Manufacturing	Mining	Real Estate	Retail	Risk Management	Sales & Mktg.
Willy N. Ocier Chairman	64	M	Bachelor of Arts in Economics				✓	✓	✓	✓	✓		✓			✓			✓	✓	✓	✓
Jackson T. Ongsip President, CEO & CRO	47	M	Bachelor of Science in Accountancy	✓	✓		✓	✓	✓	✓			✓			✓			✓	✓	✓	
Edmundo L. Tan Director	74	M	Bachelor of Arts Degree Bachelor's Degree in Law		✓	✓	✓		✓			✓			✓	✓		✓				
Bernardo D. Lim Non-Executive Director	73	M	Bachelor of Science in Business Administration	✓	✓		✓	✓	✓			✓	✓			✓		✓				
Virginia A. Yap Director	69	F	Bachelor of Science Degree Commerce, Accounting Major	✓			✓	✓	✓	✓		✓		✓		✓			✓		✓	
Tomas D. Santos Independent Director	67	M	Bachelor of Science in Business Administration Degree				✓	✓	✓				✓			✓						✓
Rafael M. Alunan III Lead Independent Director	72	M	Master in Business Administration-Senior Executive Program and Public Administration	✓			✓			✓			✓							✓	✓	✓

APC also prohibits its directors, officers, and employees from using privileged corporate information for personal gain. Trading/ownership of Company shares as of December 31, 2020 is shown below:

	Shareholdings as of 12/31/19	Acquisition	Disposition	Shareholdings as of 12/31/20	Ownership Percentage
				Direct	
Willy N. Ocier	310,001	-	-	310,001	0.00
Bernardo D. Lim	1,000	-	-	1,000	0.00
Edmundo L. Tan	1	-	-	1	0.00
Tomas D. Santos	1	-	-	1	0.00
Virginia A. Yap	10,001	-	-	10,001	0.00
Laurito E. Serrano[a]	1	-	-	-	0.00
Rafael M. Alunan III[b]	-	-	-	1	0.00
Jackson T. Ongsip	1	-	-	1	0.00
Total	321,006	-	-	321,006	0.00

[a] up to August 10, 2020

[b] elected on August 10, 2020

For governance related issues or concerns, stakeholders may refer to:

Governance and Corporate Affairs Department
5th Floor Tower A, Two E-com Center
Palm Coast Avenue, Mall of Asia Complex
Pasay City 1300 Philippines
Tel.No.:(632) 8662-8888
Email: governance@bellecorp.com

The Company, through its Chief Compliance Officer, stresses its compliance with applicable laws and adherence to ethical practices as stated in the CBCE and the Revised Manual. APC is not aware of any non-compliance with the Revised Manual by any of its directors, officers or employees.

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, on April 5, 2021.

By:

1. ______________________ Date: April 5, 2021
Willy N. Ocier
Chairman of the Board

2. ______________________ Date: April 5, 2021
Jackson T. Ongsip
President and Chief Executive Officer

3. ______________________ Date: April 5, 2021
Ian Jason R. Aguirre
Vice President, Chief Financial Officer, and Treasurer

4. ______________________ Date: April 5, 2021
Richard Anthony D. Alcazar
Corporate Secretary

MAKATI CITY

SUBSCRIBED AND SWORN to before me this ___ day of APR 1 4 2021 ______________ , affiants who are personally known to me or identified through competent evidence of identity, to wit:

Name	Passport or ID No.	Date of Expiry	Place of Issue
Willy N. Ocier	P0955P319A	November 18, 2021	Manila
Jackson T. Ongsip	EC4804332	July 29, 2020	Manila
Ian Jason R. Aguirre	P3558688A	July 22, 2022	Manila
Richard Anthony D. Alcazar	TIN 178-486-310		

Doc. No. 291
Page No. 59
Book No. 101
Series of 2021

Notary Public
ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-66 until 12/31/2021
PTR No.8531012, Jan. 4, 2021 Until Dec. 31 2021 Makati City
Roll No. 45790, IBP, Lifetime N. 04897
MCLE No.VI-0016565 / Jan. 14, 2019
G/F Fedman Suites 199 Salcedo Street
Legaspi Village, Makati City

APC GROUP INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **APC Group, Inc. and Subsidiaries** (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

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

WILLY N. OCIER
Chairman of the Board

JACKSON T. ONGSIP
President and
Chief Executive Officer

IAN JASON R. AGUIRRE
Executive Vice President and
Chief Finance Officer

March 1, 2021

SUBSCRIBED AND SWORN to before me this MAR 01 2021 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 Expiry	Place of Issue
Willy N. Ocier	P0955319A	November 18, 2021	Manila
Jackson T. Ongsip	P4550764B	January 24, 2030	Manila
Ian Jason R. Aguirre	P3558688A	July 2. 2022	Manila

Doc. No. 330
Page No. 67
Book No. 58
Series of 2021

ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-66 until 12/31/2021
PTR No. 8531012, Jan. 4, 2021 until Dec. 31, 2021 Makati City
Roll No. 45790 IBP Lifetime N. 04897
MCLE No VI-0010565 / Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street, Legaspi Village, Makati City

G/F MyTown New York Bldg.
General E. Jacinto St. cor. Capas St.
Brgy. Guadalupe Nuevo, Makati City
Tel.: (632) 662-8888 loc 2101

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

AS-093127

COMPANY NAME

APC GROUP, INC. AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

G/F MyTown New York Bldg., General E. Jacinto St. cor. Capas St., Brgy. Guadalupe Nuevo, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
apcgrpinc@gmail.com	8662-8888 loc.2144	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
592	Second Thursday of June	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jackson T. Ongsip	apcgrpinc@gmail.com	8662-8888 loc. 2144	–

CONTACT PERSON's ADDRESS

G/F MyTown New York Bldg., General E. Jacinto St. cor. Capas St., Brgy. Guadalupe Nuevo, Makati City

NOTE 1 In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
APC Group, Inc.
G/F MyTown New York Bldg.
General E. Jacinto St. corner Capas St.
Brgy. Guadalupe Nuevo, Makati City

Opinion

We have audited the consolidated financial statements of APC Group, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements.

The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Deferred Exploration Costs

As at December 31, 2020, the carrying value of the Group's deferred exploration costs amounted to ₱218.0 million. These deferred exploration costs pertain to the Aragorn Power and Energy Corporation (APEC)'s participating interest in Geothermal Renewable Service Contract (GRESC) and the expenditures incurred by APEC for the Kalinga Geothermal Project. Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, these deferred exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The ability of APEC to recover its deferred exploration costs would depend on the commercial viability of the reserves. We considered this as a key audit matter because of the materiality of the amount involved and the significant management judgment required in assessing whether there is any indication of impairment.

The Group's disclosures about deferred exploration costs are included in Notes 1, 3 and 10 to the consolidated financial statements.

Audit Response

We obtained management's assessment on whether there is any indication that deferred exploration costs may be impaired. We reviewed the summary of the status of exploration project as of December 31, 2020, as certified by the APEC's President, and compared it with the disclosures submitted to regulatory agencies. We reviewed contracts and agreements, and budget for exploration costs. We inspected the licenses/permits of the exploration project to determine that the period for which the Group has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

SGV
Building a better working world

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Johnny F. Ang.

SYCIP GORRES VELAYO & CO.

Johnny F. Ang
Partner
CPA Certificate No. 0108257
SEC Accreditation No. 1284-AR-2 (Group A),
May 16, 2019, valid until May 15, 2022
Tax Identification No. 221-717-423
BIR Accreditation No. 08-001998-101-2018,
November 6, 2018, valid until November 5, 2021
PTR No. 8534213, January 4, 2021, Makati City

March 1, 2021

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

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 18 and 19)	**₱21,475,809**	₱137,491,340
Receivables (Notes 6, 18 and 19)	**3,702,273**	1,585,194
Other current assets	**15,940**	2,586
Total Current Assets	**25,194,022**	139,079,120
Noncurrent Assets		
Property and equipment (Note 8)	**34,712**	62,234
Investment property (Notes 9 and 19)	**12,048,000**	10,028,870
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 7, 18 and 19)	**2,829,755**	3,624,630
Deferred exploration costs (Note 10)	**218,013,500**	111,520,001
Input value added tax (VAT)	**9,282,133**	8,962,888
Other noncurrent assets (Notes 18 and 19)	**23,822**	23,822
Total Noncurrent Assets	**242,231,922**	134,222,445
	₱267,425,944	₱273,301,565
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11, 18 and 19)	**₱28,652,844**	₱28,627,801
Advances from a related party (Notes 16, 18 and 19)	**79,978,631**	79,978,631
Total Current Liabilities	**108,631,475**	108,606,432
Noncurrent Liability		
Accrued retirement costs (Note 14)	**5,966,007**	3,441,697
Total Liabilities	**114,597,482**	112,048,129
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Notes 12 and 18)	**63,880,788**	6,388,078,749
Additional paid-in capital (Notes 12 and 18)	**144,295,958**	1,613,942,096
Cumulative change in fair value of financial assets at FVOCI (Note 7)	**1,981,754**	2,776,629
Remeasurement loss on defined benefit obligation (Note 14)	**(3,986,494)**	(2,237,878)
Equity reserves (Note 2)	**(3,140,235)**	(3,140,235)
Deficit	**(13,903,180)**	(7,801,877,957)
Treasury shares - 7,606,000 shares (Notes 12 and 17)	**(29,435,220)**	(29,435,220)
Total Equity Attributable to Equity Holders of the Parent Company	**159,693,371**	168,106,184
Non-controlling Interests	**(6,864,909)**	(6,852,748)
Total Equity	**152,828,462**	161,253,436
	₱267,425,944	₱273,301,565

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2020	2019	2018
REVENUES			
Interest income (Note 5)	**₱947,058**	₱4,651,666	₱3,569,449
Dividend income (Note 7)	**319,476**	319,476	279,224
	1,266,534	4,971,142	3,848,673
EXPENSES			
General and administrative expenses (Note 13)	**(9,167,147)**	(10,264,576)	(12,350,727)
OTHER INCOME (EXPENSES)			
Gain on change in fair value of investment property (Note 9)	**2,019,130**	–	–
Loss on sale of investment property (Note 9)	–	–	(3,015,807)
	2,019,130	–	(3,015,807)
LOSS BEFORE INCOME TAX	**(5,881,483)**	(5,293,434)	(11,517,861)
PROVISION FOR INCOME TAX (Note 15)	–	–	–
NET LOSS	**(5,881,483)**	(5,293,434)	(11,517,861)
OTHER COMPREHENSIVE LOSS			
Item not to be reclassified to profit or loss in subsequent periods:			
Change in fair value of financial assets at FVOCI (Note 7)	**(794,875)**	(1,547,491)	(3,497,450)
Remeasurement loss on defined benefit obligation (Note 14)	**(1,748,616)**	–	–
	(2,543,491)	(1,547,491)	(3,497,450)
TOTAL COMPREHENSIVE LOSS	**(₱8,424,974)**	(₱6,840,925)	(₱15,015,311)
Net Loss Attributable to:			
Equity holders of the Parent Company (Note 17)	**(₱5,869,322)**	(₱5,274,618)	(₱11,470,031)
Non-controlling interests	**(12,161)**	(18,816)	(47,830)
	(₱5,881,483)	(₱5,293,434)	(₱11,517,861)
Total Comprehensive Loss Attributable to:			
Equity holders of the Parent Company	**(₱8,412,813)**	(₱6,822,109)	(₱14,967,481)
Non-controlling interests	**(12,161)**	(18,816)	(47,830)
	(₱8,424,974)	(₱6,840,925)	(₱15,015,311)
Basic/Diluted Loss Per Common Share (Note 17)	**(₱0.000782)**	(₱0.000703)	(₱0.001528)

See accompanying Notes to Consolidated Financial Statements.

APC GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	Equity Attributable to Equity Holders of the Parent Company									
	Capital Stock (Notes 12 and 18)	**Additional Paid-in Capital** (Notes 12 and 18)	**Cumulative Change in Fair Value of Financial Assets at FVOCI** (Note 7)	**Remeasurement Loss on Defined Benefit Obligation** (Note 14)	**Equity Reserves**	**Deficit**	**Treasury Shares** (Notes 12 and 17)	**Total**	**Non-controlling Interests**	**Total**
Balances at January 1, 2020	**₱6,388,078,749**	**₱1,613,942,096**	**₱2,776,629**	**(₱2,237,878)**	**(₱3,140,235)**	**(₱7,801,877,957)**	**(₱29,435,220)**	**₱168,106,184**	**(₱6,852,748)**	**₱161,253,436**
Net loss during the year	–	**–**	**–**	**–**	**–**	**(5,869,322)**	–	**(5,869,322)**	**(12,161)**	**(5,881,483)**
Other comprehensive loss	–	**–**	**(794,875)**	**(1,748,616)**	**–**	**–**	–	**(2,543,491)**	–	**(2,543,491)**
Total comprehensive loss	–	**–**	**(794,875)**	**(1,748,616)**	**–**	**(5,869,322)**	–	**(8,412,813)**	**(12,161)**	**(8,424,974)**
Equity restructuring (Note 12)	**(6,324,197,961)**	**(1,469,646,138)**	**–**	**–**	**–**	**7,793,844,099**	–	–	–	**–**
Balances at December 31, 2020	**₱63,880,788**	**₱144,295,958**	**₱1,981,754**	**(₱3,986,494)**	**(₱3,140,235)**	**(₱13,903,180)**	**(₱29,435,220)**	**₱159,693,371**	**(₱6,864,909)**	**₱152,828,462**
Balances at January 1, 2019	₱6,388,078,749	₱1,613,942,096	₱4,324,120	(₱2,237,878)	(₱3,140,235)	(₱7,796,603,339)	(₱29,435,220)	₱174,928,293	(₱6,833,933)	₱168,094,360
Net loss during the year	–	–		–	–	(5,274,618)	–	(5,274,618)	(18,816)	(5,293,434)
Other comprehensive income	–	–	(1,547,491)	–	–	–	–	(1,547,491)	–	(1,547,491)
Total comprehensive loss	–	–	(1,547,491)	–	–	(5,274,618)	–	(6,822,109)	(18,816)	(6,840,925)
Balances at December 31, 2019	₱6,388,078,749	₱1,613,942,096	₱2,776,629	(₱2,237,878)	(₱3,140,235)	(₱7,801,877,957)	(₱29,435,220)	₱168,106,184	(₱6,852,748)	₱161,253,436
Balances at January 1, 2018	₱6,388,078,749	₱1,613,942,096	₱7,821,570	(₱2,237,878)	₱226,304	(₱7,785,133,308)	(₱29,435,220)	₱193,262,313	(₱10,152,642)	₱183,109,671
Net loss during the year	–	–	–	–	–	(11,470,031)	–	(11,470,031)	(47,830)	(11,517,861)
Other comprehensive income	–	–	(3,497,450)	–	–	–	–	(3,497,450)	–	(3,497,450)
Total comprehensive loss	–	–	(3,497,450)	–	–	(11,470,031)	–	(14,967,481)	(47,830)	(15,015,311)
Change in ownership interest in a subsidiary without loss of control (Note 2)	–	–	–	–	(3,366,539)	–	–	(3,366,539)	3,366,539	–
Balances at December 31, 2018	₱6,388,078,749	₱1,613,942,096	₱4,324,120	(₱2,237,878)	(₱3,140,235)	(₱7,796,603,339)	(₱29,435,220)	₱174,928,293	(₱6,833,933)	₱168,094,360

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax:	**(₱5,881,483)**	(₱5,293,434)	(₱11,517,861)
Adjustments for:			
Interest income (Note 5)	**(947,058)**	(4,651,666)	(3,569,449)
Dividend income (Note 7)	**(319,476)**	(319,476)	(279,224)
Gain on change in fair value of investment property	**(2,019,130)**	–	–
Retirement costs (Note 14)	**775,694**	271,091	505,320
Depreciation (Notes 8 and 13)	**27,522**	15,868	8,926
Loss on sale of investment property (Note 9)	**–**	–	3,015,807
Operating loss before working capital changes	**(8,363,931)**	(9,977,617)	(11,836,481)
Decrease (increase) in:			
Receivables	**(2,117,079)**	(1,299,988)	640,959
Other current assets	**(13,354)**	8,930	5,513
Input VAT	**(319,245)**	(258,241)	(217,159)
Increase (decrease) in:			
Trade and other payables	**25,043**	178,770	(2,602,619)
Advances from a related party	**–**	(68,750)	42,845
Net cash used in operations	**(10,788,566)**	(11,416,896)	(13,966,942)
Interest received	**947,058**	4,667,178	3,569,449
Dividend received	**319,476**	319,476	279,224
Net cash used in operating activities	**(9,522,032)**	(6,430,242)	(10,118,269)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in:			
Deferred exploration costs	**(106,493,499)**	(641,115)	(51,176,727)
Other noncurrent assets		–	166,577
Decrease in other noncurrent liabilities	**–**	(161,959)	–
Acquisition of property and equipment (Note 8)	**—**	(62,482)	–
Proceeds from sale of investment property (Notes 9 and 20)	**—**	—	9,329,323
Net cash used in investing activities	**(106,493,499)**	(865,556)	(41,680,827)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(116,015,531)**	(7,295,798)	(51,799,096)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 5)	**137,491,340**	144,787,138	196,586,234
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱21,475,809**	₱137,491,340	₱144,787,138

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 (the Group) 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 G/F MyTown New York Bldg., General E. Jacinto St. cor. Capas St., Brgy. Guadalupe Nuevo, Makati City.

   The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 1, 2021.

   Status of Operations

   As at March 1, 2021, the following are the status of operations of the Group.

   a. Aragorn Power and Energy Corporation (APEC)

      Kalinga Apayao Geothermal Service Project (Project)

      As at March 1, 2021, APEC is still in the exploration stage. It was established to engage in renewable energy resource exploration, development and utilization.

      In 2008, APEC was granted a Geothermal Service Contract (GSC) by the Republic of the Philippines, through Department of Energy (DOE), for the exploration, development and exploitation of geothermal resources covering a total area of 26,139 hectares located in the Province of Kalinga (the "Kalinga Geothermal Project" or "KGP"). The GSC was granted after a Certificate Precondition 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 Service Contract (GRESC) in March 2010 to avail of the incentives provided under the Renewable Energy (RE) Act of 2008. GRESC has a term of not exceeding 25 years (including the used term under the GSC) and renewable for not more than 25 years. The total period from pre-development stage to the development/commercial stage shall not exceed 50 years.

      In November 2010, APEC and its partner Guidance Management Corporation (GMC) forged a partnership with AllFirst Kalinga Ltd. (AKL, formerly Chevron Kalinga Ltd.), a wholly owned subsidiary of AllFirst Geothermal Philippines Holdings, Inc., (formerly Chevron Geothermal Philippines Holdings, Inc.) in developing the geothermal area. The parties signed a Farm-out Agreement (FOA) 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, AKL will be responsible for the exploration, development and operation of the steam field and power activities.

On August 13, 2018, APEC has secured an extension of the GRESC exploration period from DOE until September 23, 2020. On August 14, 2018, pursuant to Executive Order No. 30, the Energy Investment Coordinating Council (EICC), through the DOE, granted KGP a Certificate of Energy Project of National Significance (CEPNS) for Pre-Development Phase. The CEPNS entitles KGP to all the rights and privileges provided for under Executive Order No. 30 series 2017.

On September 18, 2018, AKL has assigned its Farm-out interest, including all associated rights and obligations under the FOA, in favor of its affiliate, Allfirst Kalinga Holdings, Inc. (AKHI).

Through letter dated December 28, 2018, the DOE gave KGP the clearance to undertake a system impact study (SIS) of its proposed 120 MW Kalinga Geothermal Project. The SIS of the KGP is currently on-going.

In 2019, KGP completed securing all the remaining necessary permits from the regulatory agencies (i.e. DENR and National Water Resources Board (NWRB)), and maintained and complied with its commitments with each of the representative Council of Elders and Leaders (COEs) under the Memoranda of Agreements (MOAs) supporting the NCIP Certificates of Precondition. KGP has also engaged contractors and suppliers necessary for the construction of access roads, well pads, and well drilling activities.

With the completion of the negotiation for right-of-way, remaining regulatory permits, as well as the engagement of the needed contractors and suppliers, KGP has completed the construction of well pads and access roads, and continues to implement geo-hazard mitigation measures.

On October 12, 2019, the Project commenced drilling of the PAS-02 exploration well and ended drilling operations on April 21, 2020 after reaching a depth of 4,483 ft. (1,366 m MD) and being unable to drill further. Drilling operations encountered many challenges such as technical difficulties with the well amidst the severe impact dealt by the COVID-19 pandemic and the Enhanced Community Quarantine (ECQ) such as limitations to deployment of personnel and delivery of supplies, disruptions to the global supply chain, and reduction in work hours of personnel quarantined onsite to protect their health and safety. Results of the drilling still show promise, with very encouraging commercial temperatures at 568°F (298°C) despite tight permeability.

On October 13, 2020, APEC secured an extension of the GRESC exploration period from DOE until October 12, 2022 with DOE recognizing the significant accomplishments of the project, the difficulties that the project encountered, and the need for further exploration given the results of the drilling PAS-02 with commercial temperature and encouraging chemistry.

The KGP continues to provide scholarship grants and educational assistance to deserving youths from the eight (8) ancestral domains within its contract area. As of school year 2020-2021, the KGP has already extended scholarships to 369 grantees and has produced 280 graduates in various courses. Five (5) scholar graduates in engineering and geology have been hired for the Project.

As of March 1, 2021, APEC has completed sub-phases 1 and 2, covering geochemical and geophysical surveys. APEC is already in the sub-phase 3 stage of the project. In line with this, the consent of nine (9) out of eleven (11) ancestral domains has been secured, covering 85% of the GRESC area. In addition, all of the Community Development (CD) Projects have been fully completed and turned over to the respective community beneficiaries.

The KGP intends to continue exploration activities by re-conducting geology, geochemical, and geophysical surveys (3G) to obtain additional information intended to refine and expand the

Conceptual Model to ensure soundness of the outputs and drilling targets prior to resuming drilling operations.

This KGP involves the development of steam fields that can generate around 120 megawatts (MW) of new capacity, providing an additional source of clean, indigenous and reliable baseload power to the Luzon grid. A 120 MW geothermal project will approximately cost more than USD300.0 million.

On January 15, 2020, APEC received a cash call from AllFirst Kalinga Holdings Inc. (AKHI) amounting to USD 2.1 million (Php106.5 million) for 5% share of the USD 42.08 million appraisal drilling budget which includes construction of general facilities, roads, and pads, rig mobilization and demobilization, well drilling, testing, resource feasibility study, other exploration capital (salaries and wages) and corporate social responsibility.

b. APC Energy Resources Inc. (APC Energy)

APC Energy was established to engage in exploration, development and utilization of renewable energy resources. As at March 1, 2021, APC Energy is still in the pre-operating stage.

c. APC Mining Corporation (APC Mining)

APC Mining was organized to engage in mining, processing, manufacturing, buying and selling of all kinds of ores, metals and minerals. As at March 1, 2021, APC Mining is still in the pre-operating stage.

d. APC Cement Corporation (APC Cement)

APC Cement was established to engage in the manufacture of cement. As at March 1, 2021, APC Cement is still in the pre-operating stage.

e. PRC-Magma Energy Resources, Inc. (PRC Magma)

PRC Magma was established 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. As at March 1, 2021, PRC Magma is still in the pre-operating stage.

2. Basis of Preparation and Consolidation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and investment properties which are measured at fair value. The consolidated financial statements are presented in Philippine peso (₱), which is the Group's functional and presentation currency under Philippine Financial Reporting Standards (PFRSs). 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 PFRSs.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries as at December 31, 2020 and 2019:

Subsidiaries	Nature of Business	Percentage of Ownership Direct	Indirect	Total
APEC [1]	Energy	95.6	–	95.6[3]
PRC - Magma [1, 2]	Energy	–	85.0	85.0
APC Cement [1]	Manufacturing	100.0	–	100.0
APC Energy [1]	Mining	100.0	–	100.0
APC Mining [1]	Mining	83.0	–	83.0

(1) Still in the pre-operating stage

(2) A direct subsidiary of APEC

(3) On April 10, 2018, the Parent Company subscribed to additional shares of APEC through capital infusion amounting to ₱76.5 million which increased the ownership interest of the Parent Company from 90% to 95.6%. This resulted to change in ownership interests in APEC without loss of control and accounted for as deemed acquisition of NCI. Loss on dilution of NCI amounting to ₱3.4 million was presented as part of "Equity Reserves" in the Consolidated Statement of Financial Position.

All of the subsidiaries were incorporated in the Philippines.

Control is achieved when the Parent Company is exposed, or has right, to variable returns from its involvement with the investee. Specifically, the Parent Company controls an investee, if and only if, the Parent Company has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority voting rights results in control. To support this presumption, and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangements with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Non-controlling Interests (NCI)
NCI represent the portion of profit or loss and the net assets not held by the Group and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from equity attributable to owners of the Parent Company. Any losses applicable to a non-controlling shareholder of a consolidated subsidiary in excess of the non-controlling shareholder's equity in the subsidiary are charged against the NCI even if this results in NCI having a deficit.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The amendment is not applicable to the Group since the Group did not receive lease concessions in 2020.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- o The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- o Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements,* to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

Current versus Noncurrent Classification
The Group presents assets and liabilities in consolidated statements of financial position based on current/noncurrent classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period, or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is classified as current when it is:

- Expected to be settled in normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent.

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.

Determination of Fair Value
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 Group.

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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 Group 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 Group determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy.

The Group recognizes transfers into and transfers out of fair value hierarchy levels by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) as at the date of the event or change in circumstances that caused the transfer.

External valuers are involved for the valuation of significant assets, such as investment 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 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 the contracts and other relevant documents.

In conjunction with the external valuers, the changes in the fair value of each assets and liabilities are compared with the relevant external sources to determine whether the change is reasonable. This includes a discussion of 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.

'Day 1' Difference. When 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 Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where 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 Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial Instruments - Initial Recognition and Subsequent Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

As at December 31, 2020 and 2019, the Group has no financial assets at FVOCI with recycling of cumulative gains and losses and financial assets at FVTPL.

Financial assets at amortized cost (debt instruments). This category is the most relevant to the Group.

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's cash and cash equivalents, receivables and deposits (presented under "Other noncurrent assets" account) are classified under this category.

Financial assets designated at FVOCI (equity instruments). Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investments in equity instruments under this category.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of ownership of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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 Group could be required to repay.

Impairment of financial assets. The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Date of Recognition of Financial Liabilities. The Company recognizes financial liabilities in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

Initial Recognition and Measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent Measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:
- Financial liabilities at FVTPL
- Financial liabilities at amortized cost (loans and borrowings)

As at December 31, 2020 and 2019, the Group has no financial liabilities at FVTPL.

Financial Liabilities at Amortized Cost (Loans and Borrowing).
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings and payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the profit or loss.

This category includes the Group’s trade payables and other current liabilities and advances from a related party.

Derecognition of Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the profit or loss.

Classification of Financial Instruments between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- 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 Group 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.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Property and Equipment
Property and equipment are stated at cost excluding the cost of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. 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 are computed using the straight-line method over one (1) to five (5) years for office and other equipment.

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 statements 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 are credited or charged to current operations.

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

Investment Property
Investment property represents land measured initially at cost, including related transaction costs. Subsequent to initial recognition, investment property is 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 property are included in the consolidated statements of comprehensive income in the year in which the gains or losses arise.

The standard requires all entities to measure the fair value of investment property, for the purpose of either measurement (if the entity uses the fair value model) or disclosure (if it uses the cost model). An entity is encouraged, but not required, to measure the fair value of investment property on the basis of a valuation by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

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. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property, the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

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.

Deferred Exploration Costs
Expenditures for exploration works on geothermal 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 presented under "Deferred exploration costs" account in the consolidated statement of financial position.

A provision for impairment is provided for unrecoverable deferred exploration costs based on the Group'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 costs 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.

Capital Stock and Additional Paid-in Capital (APIC)
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 APIC.

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 Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized as APIC.

Deficit
The amount included in deficit includes cumulative amount of loss attributable to the Group's equity holders.

Revenue Recognition
The Group is organized to engage in the oil and gas exploration and development in the Philippines. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

The Group is still in the pre-operating stage as at December 31, 2020 and 2019.

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 Group's right to receive the payment is established.

Expenses
General and administrative expenses are recognized as incurred.

Employee Benefits

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

The defined benefit liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Interest on the defined benefit liability
- Remeasurements of defined benefit liability

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

Interest on the defined benefit liability is the change during the period in the defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the defined benefit liability. Interest on the defined benefit liability is recognized as expense in profit or loss.

Remeasurements comprising actuarial gains and losses (excluding interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting period.

Leases Starting January 1, 2019

Leases. The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as Lessee. The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- *Short-term Leases.* The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date or initial application of PFRS 16 and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Leases Prior to January 1, 2019

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.

Group 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 statements of comprehensive income on a straight-line basis over the lease term.

Taxes

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

Current income tax relating to item recognized directly in equity is recognized in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax. Deferred income tax is provided using the liability method on 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, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and by the parent, venture or investor, respectively, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences the carry forward benefits of unused tax credits and any unused tax losses from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO) to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward benefits of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference 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; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in 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 as at the reporting date.

Deferred tax relating to items recognized in OCI are included in the related OCI in the consolidated statement of comprehensive income and not in profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax 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 levied by the same taxation authority.

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

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as part of "Trade and other payables" account in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as under "Input value added tax" account in the consolidated statement of financial position to the extent of the recoverable amount.

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 statements of comprehensive income. Nonmonetary items are translated using the closing exchange rate as at the date of initial transaction.

Provisions
Provisions are recognized when the Group 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 Group 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.

Events after the Reporting Period
Post year-end events that provide additional information about the Group's financial position at the reporting period (adjusting events), if any, are reflected in the consolidated financial statements. Post financial 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 Group has no dilutive potential common shares outstanding.

3. Significant Judgment, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgment, estimates and assumptions that affect certain reported amounts and disclosures. In preparing the consolidated financial statements, management has made its best judgment and estimates of certain amounts, giving due consideration to materiality. The judgment, 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.

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

<u>Judgments</u>
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:

Recoverability of Deferred Exploration Costs. The Group recognizes all project related costs as part of deferred exploration costs. An impairment review is performed when there are indicators that the carrying amount of the deferred exploration costs may exceed their recoverable amount. The deferred exploration costs are reassessed on a regular basis and these costs are carried forward provided that all of the following conditions are met:

- the period for which the entity has the right to explore in the specific area has not expired during the period or will not expire in the near future, and is expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is budgeted or planned;
- the exploration for and evaluation of mineral resources in the specific area led to the discovery of commercially viable quantities of mineral resources and the entity has not decided to discontinue such activities in the specific area;
- and sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset will be recovered in full from successful development or by sale.

There were no indicators of impairment of deferred exploration costs in 2020, 2019 and 2018. The carrying value of deferred exploration costs amounted to ₱218.0 million and ₱111.5 million as at December 31, 2020 and 2019, respectively (see Note 10).

<u>Estimates and Assumptions</u>
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. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Recoverability and Impairment of Non-financial Assets (Excluding Deferred Exploration Cost). The Group assesses whether there are any indicators of impairment for all non-financial assets, other than deferred exploration cost, at each reporting date. These non-financial assets (input VAT and property and equipment) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends; and decline in appraised value.

Determining the net recoverable amount of assets required the estimation of cash flows expected to be generated from the continuous use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair value reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amount and any resulting impairment loss could have a material adverse impact on the results of operations.

The carrying values of these non-financial assets are as follows:

	2020	2019
Input VAT	**₱9,282,133**	₱8,962,888
Property and equipment (see Note 8)	**34,712**	62,234

As at December 31, 2020 and 2019, the Group has not identified any indicators or circumstances that would indicate that the Group's input VAT and property and equipment cost are impaired. Thus, no impairment losses on these non-financial assets were recognized in 2020, 2019 and 2018.

Fair Value of Investment Property. The Group engaged an independent valuation specialist to determine the fair value of investment property. 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.

The properties pertain to parcels of land in the Municipality of Ginatilan, Cebu. The fair value of investment property amounted to ₱12.0 million and ₱10.0 million as at December 31, 2020 and 2019, respectively (see Note 9).

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 future 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 future taxable profit will be generated to allow all or part of the deferred tax assets to be utilized. The Group'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 Group's past results and future expectations on revenue and expenses.

Unrecognized deferred tax assets amounted to ₱44.2 million and ₱46.8 million as at December 31, 2020 and 2019, respectively (see Note 15).

Retirement Costs. The cost of the defined benefit pension plan 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 and mortality rates. 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.

Retirement costs amounted to ₱0.8 million in 2020, ₱0.3 million in 2019 and ₱0.5 million 2018. Remeasurement loss amounting to ₱1.7 million in 2020 and nil in 2019 and 2018. Accrued retirement costs amounted to ₱6.0 million and ₱3.4 million as at December 31, 2020 and 2019, respectively (see Note 14).

4. Segment Information

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

As discussed in Note 1, the Group is engaged in mining and exploration activities. The Management assessed that the Group is just considered as one business segment as it does not have other activities other than the exploration projects. The classification of business segment is regularly reviewed by Management Committee, which is the Chief Operating Decision Maker, to make decisions to assess their performances, and for which discrete financial information is available.

The amounts of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets and liabilities and profit or loss in the consolidated financial statements, which is in accordance to PFRS.

Information with regard to the significant business segments of the Group are shown below.

	Years Ended December 31		
Segment Operations	**2020**	2019	2018
Segment expenses	**(₱9,167,147)**	(₱10,264,576)	(₱12,350,727)
Gain on change in fair value of investment property	**2,019,130**	–	–
Interest income	**947,058**	4,651,666	3,569,449
Dividend income	**319,476**	319,476	279,224
Loss on sale of investment property	–	–	(3,015,807)
Net loss	**(₱5,881,483)**	(₱5,293,434)	(₱11,517,861)
As at December 31			
Other information:			
Segment assets	**₱267,425,944**	₱273,301,565	₱279,923,337
Segment liabilities	**114,597,482**	112,048,129	111,828,977
Depreciation	**27,522**	15,868	8,926

5. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand and in banks	**₱9,039,050**	₱4,476,781
Short-term investments	**12,436,759**	133,014,559
	₱21,475,809	₱137,491,340

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 Group and earn interest at the respective short-term investment rates.

Interest income earned from cash in banks and short-term investments amounted to ₱0.9 million, ₱4.7 million and ₱3.6 million in 2020, 2019, and 2018, respectively.

6. Receivables

This account consists of:

	2020	2019
Advances to AKHI	**₱3,482,649**	₱1,462,640
Advances to officers and employees	**180,906**	83,836
Others	**38,718**	38,718
	₱3,702,273	₱1,585,194

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

- Advances to AKHI are noninterest-bearing and are normally settled within a 30-day term.
- Advances to officers and employees are noninterest-bearing and are normally settled within a 30-day term.
- Other receivables consist of advances to contractors and suppliers.

7. Financial Assets at Fair Value Through Other Comprehensive Income

This account consists of:

	2020	2019
Premium Leisure Corp. (PLC)	**₱2,829,755**	₱3,624,630

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

	2020	2019
Balance at beginning of year	**₱3,624,630**	₱5,172,121
Change in fair value of financial assets at FVOCI	**(794,875)**	(1,547,491)
Balance at end of year	**₱2,829,755**	₱3,624,630

Changes in fair value of financial assets at FVOCI attributable to the shareholders of the Parent Company (presented in the equity section of the consolidated statements of financial position) follow:

	2020	2019
Balance at beginning of year	**₱2,776,629**	₱4,324,120
Cumulative change in fair value of financial assets at FVOCI	**(794,875)**	(1,547,491)
Balance at end of year	**₱1,981,754**	₱2,776,629

The Group received dividend income from PLC shares amounting to ₱0.3 million in 2020, 2019 and 2018.

8. Property and Equipment

This account consists of office and other equipment:

	2020	2019
Cost		
Balance at beginning and end of year	**₱1,676,615**	₱1,614,133
Additions	**–**	62,482
	1,676,615	1,676,615
Accumulated Depreciation		
Balance at beginning of year	**1,614,381**	1,598,513
Depreciation (see Note 13)	**27,522**	15,868
	1,641,903	1,614,381
Net book value	**₱34,712**	₱62,234

There were no idle assets as at December 31, 2020 and 2019.

9. Investment Property

The movement of this account follows:

	2020	2019
Balance at beginning of year	**₱10,028,870**	₱10,028,870
Gain on change in fair value	**2,019,130**	–
Balance at end of year	**₱12,048,000**	₱10,028,870

Investment property consists of parcels of land which are being held by the Group for capital appreciation.

In 2018, the Group sold parcels of land for a total consideration amounting to ₱9.3 million which resulted to a loss on sale of investment property of ₱3.0 million.

The fair value of the remaining investment property as at December 31, 2020 was determined by Colliers International Philippines, Inc., an independent appraiser. 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 property are determined using the market data approach by gathering available market evidences.

The Group 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 19.

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

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

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

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

10. Deferred Exploration Costs

This account consists of:

	2020	2019
Cost:		
KGP	**₱218,013,500**	₱111,520,001
Other exploration costs	**63,664,924**	63,664,924
Mining rights	**48,254,908**	48,254,908
Balance at end of year	**329,933,332**	223,439,833
Less allowance for impairment	**111,919,832**	111,919,832
Net book value	**₱218,013,500**	₱111,520,001

The movement of KGP are as follows:

	2020	2019
Balance at beginning of year	**₱111,520,001**	₱110,878,886
Additions	**106,493,499**	641,115
Balance at end of year	**₱218,013,500**	₱111,520,001

Deferred exploration costs relate to geothermal projects. The ability of the Group to recover its deferred exploration costs would depend on the success of exploration activities and on the commercial viability of the reserves (see Note 1).

The Group incurred exploration costs amounting to ₱106.5 million and ₱0.6 million in 2020 and 2019, respectively, in connection with the exploration activities, engineering design and technical feasibility of its Geothermal Kalinga Project (see Note 1).

As of December 31, 2020 and 2019, deferred exploration costs relating to mining rights and other exploration costs were fully provided with allowance.

11. Trade and Other Payables

This account consists of:

	2020	2019
Trade	**₱4,878,817**	₱4,974,345
Payable to third parties	**12,967,994**	12,978,971
Nontrade payables	**8,735,254**	8,735,254
Accrued expenses:		
Professional fees	**1,304,826**	1,304,826
Others	**748,271**	562,384
Payable to government agencies	**17,682**	72,021
	₱28,652,844	₱28,627,801

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

- Trade payables are noninterest-bearing and are normally settled on a 30-day term.
- Payable to third parties mostly pertains to payables that are noninterest-bearing and are due and demandable.
- Nontrade payables are noninterest-bearing and payable on demand.
- Accrued expenses 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 withholding taxes and premiums on Social Security System (SSS), Philhealth and Pag-IBIG fund which are normally settled within the next financial year.

12. **Equity**

a. Details of authorized and issued capital stock as of December 31, 2020 and 2019 follow:

December 31, 2020

	Number of Shares	Amount
Authorized:		
Preferred stock - ₱0.01 par value	6,000,000,000	₱60,000,000
Common stock - ₱0.01 par value	14,000,000,000	140,000,000
	20,000,000,000	₱200,000,000

	Number of Shares	Amounts
Issued - Common shares	5,998,149,059	₱59,981,491
Subscribed - Common shares	1,513,660,938	15,136,609
	7,511,809,997	75,118,100
Less subscription receivable		11,237,312
	7,511,809,997	₱63,880,788

December 31, 2019

	Number of Shares	Amount
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
	20,000,000,000	₱20,000,000,000

	Number of Shares	Amounts
Issued - Common shares	5,998,149,059	₱5,998,149,059
Subscribed - Common shares	1,513,660,938	1,513,660,938
	7,511,809,997	7,511,809,997
Less subscription receivable		1,123,731,248
	7,511,809,997	₱6,388,078,749

As at December 31, 2020 and 2019, subscription receivable amounted to ₱1,123.7 million (including amount reclassified under additional paid capital of ₱1,112.5 million in 2020).

b. As at December 31, 2020 and 2019, the Group has 7,606,000 treasury shares with cost amounting to ₱29.4 million.

c. The cumulative, convertible preference shares are redeemable and 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 1, 2021, the Parent Company's BOD has not authorized any issuance of preferred shares.

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

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

The total number of shareholders is 592 and 593 as at December 31, 2020 and 2019, respectively.

On August 9, 2017, the Parent Company's BOD approved the reduction of the par value of the Parent Company's capital stock from ₱1 par value per share to ₱0.01 par value per share. This was approved by the Parent Company's stockholders on September 27, 2017.

On February 20, 2020, the SEC approved the decrease in the authorized capital stock of the Parent Company from ₱20,000.0 million divided into 14,000.0 million common shares and 6,000.0 million preferred shares with par value of ₱1 per share to ₱200.0 million divided into 14,000.0 million common shares and 6,000.0 million preferred shares both with par value of ₱0.01 per share.

On February 20, 2020, the SEC approved the equity restructuring of the Parent Company primarily to write-off Parent Company's deficit as of December 31, 2018 amounting to ₱7,793.8 million against the additional paid in capital of ₱7,938.1 million, consequently, the remaining additional paid in capital of ₱144.3 million is not allowed to be applied for future losses that may be incurred by the Parent Company without prior approval of the SEC.

e. Additional paid in capital as of December 31, 2020 and 2019 consists of the following:

	2020	2019
Subscription in excess of par value	**₱1,256,789,894**	₱1,613,942,096
Less subscription receivables	**(1,112,493,936)**	–
	₱144,295,958	₱1,613,942,096

The movement in additional paid in capital is as follows:

	2020	2019
Balance at beginning of year	**₱1,613,942,096**	₱1,613,942,096
Equity restructuring:		
Reclassification of excess in par value from capital stock	**7,436,691,897**	–
Reclassification of subscription receivables from capital stock	**(1,112,493,936)**	–
Reclassification to retained earnings	**(7,793,844,099)**	–
Balance at end of year	**₱144,295,958**	₱1,613,942,096

13. General and Administrative Expenses

This account consists of:

	2020	2019	2018
Salaries and employee benefits	**₱2,548,262**	₱4,441,668	₱4,899,059
Professional fees and outside services	**2,829,612**	2,302,035	2,366,669
Entertainment, amusement and recreation	**1,162,550**	1,293,790	1,298,363
Transportation and travel	**835,430**	987,307	852,331
Retirement costs (see Note 14)	**775,694**	271,091	505,320
Taxes and licenses	**332,280**	335,566	1,775,476
Dues and subscriptions	**109,199**	140,590	346,412
Rental	**53,572**	53,571	53,571
Depreciation (see Note 8)	**27,522**	15,868	8,926
Others	**493,026**	423,090	244,600
	₱9,167,147	₱10,264,576	₱12,350,727

14. Retirement Plan

The Group 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.

Under the existing regulatory framework, Republic Act (RA) No. 7641, an act amending Article 287 of Presidential Decree (PD) No. 442, as amended, otherwise known as the *Labor Code of the Philippines*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The latest valuation of retirement plan was performed by E.M. Zalamea Actuarial Services, Inc., an independent actuarial, is as of December 31, 2020.

Changes in accrued retirement costs are as follows:

	2020	2019	2018
Balance at beginning of year	**₱3,441,697**	₱3,170,606	₱2,665,286
Retirement costs (see Note 13):			
Current service cost	**576,420**	108,845	351,000
Interest cost	**199,274**	162,246	154,320
	775,694	271,091	505,320
Remeasurement loss in other comprehensive income:			
Actuarial changes due to experience adjustments	**823,624**	–	–
Actuarial changes arising from changes in financial assumptions	**924,992**	–	–
	1,748,616	–	–
	₱5,966,007	₱3,441,697	₱3,170,606

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

	2020	2019
Discount rate	**3.70%**	5.79%
Future salary increase rate	**8.00%**	8.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2020 assuming if all other assumptions were held constant:

	Increase (Decrease)	Increase (Decrease) in accrued retirement cost
Discount rate	1.00%	(₱474,499)
	(1.00%)	544,506
Salary increase rate	1.00%	516,213
	(1.00%)	(460,797)

The following are other defined benefit plan information:

	2020	2019
A. Weighted average duration of present value of defined benefit obligation	**8.5 years**	7.90 years
B. Maturity analysis of undiscounted retirement benefit payments		
More than one year up to 5 years	**₱746,262**	₱517,628
More than 5 years up to 10 years	**2,452,353**	2,087,323
C. Plan membership information		
Number of active plan members	**6**	5
Average attained age	**46.7 years**	47.2 years
Average past service	**13.3 years**	11.1 years
Average future service	**10.7 years**	12.7 years

15. **Income Tax**

a. There were no provision for income tax in 2020, 2019 and 2018.

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

	2020	2019	2018
Benefit from income tax at statutory income tax rate	**(₱1,764,445)**	(₱1,588,030)	(₱3,455,358)

(Forward)

	2020	2019	2018
Increase (decrease) in income tax resulting from:			
Expired NOLCO and MCIT	**₱5,552,891**	₱7,078,825	₱5,143,848
Change in unrecognized deferred tax assets	**(3,151,512)**	(4,387,804)	(936,656)
Change in fair value of investment property	**(605,739)**	–	–
Interest income subjected to final tax	**(284,117)**	(1,395,500)	(1,070,835)
Nondeductible expenses	**348,765**	388,137	402,768
Dividend income exempt from income tax	**(95,843)**	(95,843)	(83,767)
Others	**–**	215	–
Effective income tax	**₱–**	₱–	₱–

c. 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:

	2020	2019	2018
Allowance for impairment of deferred exploration costs and mining rights (see Note 10)	**₱111,919,832**	₱111,919,832	₱111,919,832
NOLCO	**29,447,251**	40,725,019	55,383,285
Accrued retirement costs	**5,966,007**	3,441,697	3,170,606
Excess of MCIT over RCIT	**–**	890	72,327
Others	**–**	–	714
	₱147,333,090	₱156,087,438	₱170,546,764
Unrecognized deferred tax assets	**₱44,199,927**	₱46,826,854	₱51,214,658

Deferred tax assets were not recognized as at December 31, 2020 and 2019 as management believes it is not probable that future taxable profits will be sufficient against which these can be utilized.

d. On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 implementing Section 4(b) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The movements in NOLCO and MCIT follow:

	2020	2019
NOLCO:		
Balance at beginning of year	**₱40,725,019**	₱55,383,285
Additions	**7,228,903**	8,699,695
Expirations	**(18,506,671)**	(23,357,961)
Balance at end of year	**₱29,447,251**	₱40,725,019

	2020	2019
MCIT:		
Balance at beginning of year	**₱890**	₱72,327
Expirations	**(890)**	(71,437)
Balance at end of year	**₱–**	₱890

As of December 31, 2020, the Group has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Availment period	Amount	NOLCO expired	NOLCO unapplied
2017	2018-2020	₱18,506,671	(₱18,506,671)	₱–
2018	2019-2021	13,518,653	–	13,518,653
2019	2020-2022	8,699,695	–	8,699,695
		₱40,725,019	(₱18,506,671)	₱22,218,348

As of December 31, 2020, the Group has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment period	Amount	NOLCO expired	NOLCO unapplied
2020	2021-2025	₱7,228,903	₱–	₱7,228,903

e. Corporate Recovery and Tax Incentive for Enterprise Act (CREATE)

In February 2021, the Bicameral Conference Committee of both the Senate and the Congress have ratified the Bicameral Committee's version of the proposed "Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act", which seeks to reduce the corporate income tax rate and rationalize the current fiscal incentives by making them time-bound, targeted and performance-based. Once the approved bill is submitted to the Office of the President for approval, the President can either approve or veto the fully enrolled bill; or approve or veto only certain provisions of the bill. If the bill is approved or the 30-day time period for the Office of the President to veto the bill has lapsed, the bill will then be enacted as a law.

The key changes of the submitted CREATE bill for approval are as follows:

- Effective July 1, 2020, RCIT rate is decreased from 30% to 20% for corporations with total assets of ₱100.0 million or below and taxable income of ₱5.0 million and below. All other corporations not meeting the criteria will be subject to lowered RCIT rate of 25% from 30%.
- Effective July 1, 2020 and for a period of 3 years, MCIT rate will lowered from 2% to 1% of gross income; and
- Improperly accumulated earnings tax of 10% will be repealed.

The RCIT applied in the calculation of deferred income tax in the preparation of the Group's financial statements as of and for the year December 31, 2020 are based on the substantially enacted tax rates existing as of the balance sheet date which are 30% RCIT and 2% MCIT. Should the CREATE Bill be subsequently enacted as a law prior to the filing deadline of the 2020 annual income tax return on April 15, 2021 and the retrospective effectivity beginning July 1, 2020 for both RCIT and MCIT are carried in the enacted bill, the excess accrued RCIT and MCIT as of the balance sheet date will be considered as reversal of accrual in 2021.

16. 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 Group that gives them significant influence over the Group, key management personnel, including directors and officers of the Group 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 Group. Transactions with related parties are normally settled in cash. There have been no guarantees provided or received for any related party receivables or payables and settlement occurs in cash.

Related party transactions amounting to 10% or higher of the Company's consolidated total assets are subject to the approval of the BOD.

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 a Related Party	Terms	Conditions
Stockholder					
Belle					
(1) Advances	**2020**	**₱–**	**(₱79,406,947)**	On demand;	Unsecured
	2019	–	(79,406,947)	Noninterest-bearing	
(2) Share in expenses	**2020**	**–**	**(571,684)**	On demand;	Unsecured
	2019	–	(571,684)	Noninterest-bearing	
Total					
Advances from a related party	**2020**		**(₱79,978,631)**		
	2019		(79,978,631)		

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

	2020	2019	2018
Salaries and short-term employee benefits	**₱1,944,667**	₱2,304,000	₱2,304,000
Retirement costs	**345,507**	190,543	190,543
	₱2,290,174	₱2,494,543	₱2,494,543

17. Basic/Diluted Loss Per Common Share

The calculation of loss per share for the years ended December 31 follow:

	2020	2019	2018
Loss attributable to equity holders of the Parent Company (a)	**(₱5,869,322)**	(₱5,274,618)	(₱11,470,031)
Weighted average number of common shares	**7,511,809,997**	7,511,809,997	7,511,809,997

(Forward)

	2020	2019	2018
Treasury shares	**(₱7,606,000)**	(₱7,606,000)	(₱7,606,000)
Divided by weighted average common shares (b)	**7,504,203,997**	7,504,203,997	7,504,203,997
Basic/diluted loss per share (a/b)	**(₱0.000782)**	(₱0.000703)	(₱0.001528)

There were no dilutive potential common shares for purposes of calculation of loss per share in 2020, 2019 and 2018.

18. Financial Risk Management Objectives and Policies

The Group's principal financial liabilities comprise trade and other payables and advances from related parties. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include cash and cash equivalents and receivables that derive directly from its operations. Other financial instruments consist of financial assets at FVOCI and deposits.

The main risks arising from the Group'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 Group's cash resources is managed so as to minimize risk while seeking to enhance yield. The Group is exposed to credit risk, if the counterparty is unwilling or unable to fulfill its obligations and the Group consequently suffers financial loss. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

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

The aging analyses of financial assets as at December 31 are follows:

	2020				
	Neither Past Due nor Impaired	**Past Due but not Impaired**			
		1-60 Days	**>60 Days**	**Impaired**	**Total**
Cash and cash equivalents*	**₱21,465,809**	**₱–**	**₱–**	**₱–**	**₱21,465,809**
Receivables:					
Advances to AKHI	**3,482,649**	**–**	**–**	**–**	**3,482,649**
Advances to officers and employees	**180,906**	**–**	**–**	**–**	**180,906**
Others	**38,718**	**–**	**–**	**–**	**38,718**
Deposits**	**23,822**	**–**	**–**	**–**	**23,822**
Financial assets at FVOCI	**2,829,755**	**–**	**–**	**–**	**2,828,755**
	₱28,021,659	**₱–**	**₱–**	**₱–**	**₱28,020,659**

**Excluding cash on hand amounting to ₱10,000*
***Presented under "Other noncurrent assets" account.*

	2019				
	Neither Past Due nor Impaired	Past Due but not Impaired 1-60 Days	>60 Days	Impaired	Total
Cash and cash equivalents*	₱137,481,340	₱–	₱–	₱–	₱137,481,340
Receivables:					
Advances to AKHI	1,431,578	–	31,062	–	1,462,640
Advances to officers and employees	83,836	–	–	–	83,836
Others	37,718	–	–	–	37,718
Deposits**	23,822	–	–	–	23,822
Financial assets at FVOCI	3,624,630	–	–	–	3,624,630
	₱142,682,924	₱–	₱31,062	₱–	₱142,713,986

**Excluding cash on hand amounting to ₱10,000*
***Presented under "Other noncurrent assets" account.*

The financial assets are grouped according to stage whose description is explained as follows:

Stage 1 - Those that are considered current and up to 90 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - Those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 90 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - Those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

As at December 31, 2020, the credit quality of the Group's financial assets are as follows:

	2020			
	ECL Staging			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
Financial assets at amortized cost				
Cash and cash equivalents*	**₱21,465,809**	**₱–**	**₱–**	**₱21,465,809**
Receivables	**3,702,273**	**–**	**–**	**3,702,273**
Deposits**	**23,822**	**–**	**–**	**23,822**
Financial assets at FVOCI	**2,829,755**	**–**	**–**	**2,829,755**
Gross carrying amount	**₱28,021,659**	**₱–**	**₱–**	**₱28,021,659**

**Excluding cash on hand amounting to ₱10,000*
***Presented under "Other noncurrent assets" account*

As at December 31, 2019, the credit quality of the Group's financial assets are as follows:

	2019			
	ECL Staging			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
Financial assets at amortized cost				
Cash and cash equivalents*	₱137,481,340	₱–	₱–	₱137,481,340
Receivables	1,584,194	–	–	1,584,194
Deposits**	23,822	–	–	23,822
Financial assets at FVOCI	3,624,630	–	–	3,624,630
Gross carrying amount	₱142,713,986	₱–	₱–	₱142,713,986

**Excluding cash on hand amounting to ₱10,000*
***Presented under "Other noncurrent assets" account*

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments. The Group's objective is to maintain continuity of funding. The Group'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 Group 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 Group's financial assets, which are used to meet its short-term liquidity needs, include cash and cash equivalents, receivables and financial assets at FVOCI totaling ₱28.0 million and ₱142.7 million as at December 31, 2020 and 2019, respectively.

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

	2020				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Over 1 Year**	**Total**
Trade and other payables*	**₱28,635,162**	**₱–**	**₱–**	**₱–**	**₱28,635,162**
Advances from a related party	**79,978,631**	**–**	**–**	**–**	**79,978,631**
	₱108,613,793	**₱–**	**₱–**	**₱–**	**₱108,613,793**

**Excluding statutory liabilities to the government.*

	2019				
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Trade and other payables*	₱28,555,780	₱–	₱–	₱–	₱28,555,780
Advances from a related party	79,978,631	–	–	–	79,978,631
	₱108,534,411	₱–	₱–	₱–	₱108,534,411

**Excluding statutory liabilities to the government.*

Equity Price Risk

The Group's investments in equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group 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 Group's senior management on a regular basis. The Group's BOD reviews and approves all equity investment decisions.

The Group's exposure to quoted securities amounted to ₱2.8 million and ₱3.6 million as at December 31, 2020 and 2019, respectively (see Note 7).

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 financial assets at FVOCI as at December 31, 2020 and 2019) due to reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Change in Equity Price*	Effect on Equity
2020	**2%**	**₱62,883**
	(2%)	**(62,883)**
2019	4%	₱161,095
	(4%)	(161,095)

**Based on PSE market index*

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

Presently, the cash requirements of the Group 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 Group should be able to maintain a strong and solid capital structure.

The capital structure of the Group consists of capital stock and additional paid-in capital amounting to ₱178.7 million and ₱7,972.6 million after deduction treasury shares at December 31, 2020 and 2019, respectively.

There were no changes in the objectives, policies or procedures during the years ended December 31, 2020 and 2019.

19. **Financial Assets and Liabilities**

A comparison by category of the carrying values and estimated fair values of the Group's financial instruments that are carried in the consolidated statements of financial position as at December 31, 2020 and 2019 are as follows:

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

Deposits
The carrying value of deposits (included as part of "Other noncurrent assets" account in the consolidated statements of financial position) approximates fair value as at December 31, 2020 and 2019 due to unavailability of information as to the repayment date that would provide a reasonable basis for the fair value measurement.

Financial Assets at FVOCI
The fair values of quoted equity securities were determined by reference to market bid quotes as of reporting dates.

The following tables provide the fair value measurement hierarchy of the Group's assets and liabilities as at December 31, 2020 and 2019:

	2020			
	Valuation Date	**Total**	**Level 1**	**Level 2**
Assets measured at fair value:				
Investment property	**December 31, 2020**	**₱12,048,000**	**₱–**	**₱12,048,000**
Financial assets at FVOCI	**December 31, 2020**	**2,829,755**	**2,829,755**	**–**
Total financial assets		**₱14,877,755**	**₱2,829,755**	**₱12,048,000**

	2019			
	Valuation Date	Total	Level 1	Level 2
Assets measured at fair value:				
Investment property	October 12, 2016	₱10,028,870	₱–	₱10,028,870
Financial assets at FVOCI	December 31, 2019	3,624,630	3,624,630	–
Total financial assets		₱13,653,500	₱3,624,630	₱10,028,870

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 year ended December 31, 2020 and 2019.

20. Supplemental Disclosure of Noncash Activities

In 2020, noncash activities related to the Parent Company's equity restructuring pertain to the following:

- Reclassification of the excess of subscription amount over par value of capital stock from capital stock to additional paid in capital amounting to ₱7,436.7 million as a result of SEC's approval of the Parent Company's decrease in par value of capital stock (see Note 12).
- Reclassification of subscription receivables from capital stock to additional paid in capital amounting to ₱1,112.5 million (see Note 12).
- Reclassification of additional paid in capital to retained earnings amounting to ₱7,436.7 million to wipe out Parent Company's deficit as of December 31, 2018 in accordance with the approval of SEC of the Parent Company's equity restructuring (see Note 12).

There were no noncash activities in 2019.

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
APC Group, Inc.
G/F MyTown New York Bldg.
General E. Jacinto St. corner Capas St.
Brgy. Guadalupe Nuevo, Makati City

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of APC Group, Inc. and subsidiaries (the Group) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020 and have issued our report thereon dated March 1, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Johnny F. Ang
Partner
CPA Certificate No. 0108257
SEC Accreditation No. 1284-AR-2 (Group A),
May 16, 2019, valid until May 15, 2022
Tax Identification No. 221-717-423
BIR Accreditation No. 08-001998-101-2018,
November 6, 2018, valid until November 5, 2021
PTR No. 8534213, January 4, 2021, Makati City

March 1, 2021

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
APC Group, Inc.
G/F MyTown New York Bldg.
General E. Jacinto St. corner Capas St.
Brgy. Guadalupe Nuevo, Makati City

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of APC Group, Inc. and subsidiaries (the Group) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 1, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Consolidated Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Johnny F. Ang
Partner
CPA Certificate No. 0108257
SEC Accreditation No. 1284-AR-2 (Group A),
May 16, 2019, valid until May 15, 2022
Tax Identification No. 221-717-423
BIR Accreditation No. 08-001998-101-2018,
November 6, 2018, valid until November 5, 2021
PTR No. 8534213, January 4, 2021, Makati City

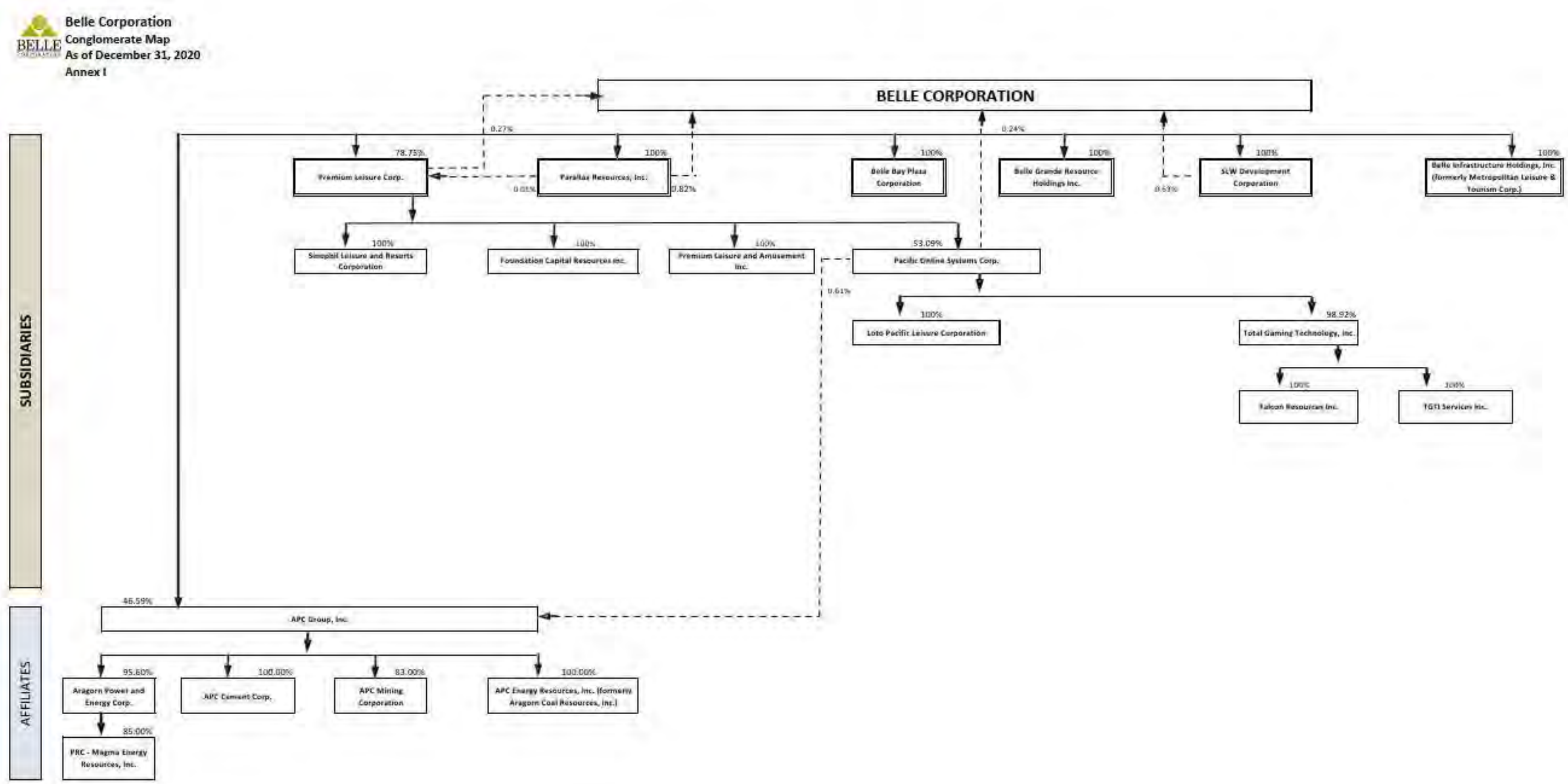
March 1, 2021

APC GROUP, INC. AND SUBSIDIARIES
Index to the Consolidated Financial Statements and Supplementary Schedules
December 31, 2020

APC GROUP, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIP OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2020



APC GROUP, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES REQUIRED BY REVISED SRC RULE 68

DECEMBER 31, 2020

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Value based on market quotation at end of reporting period	Income received and accrued
Financial assets at amortized costs				
Cash and cash equivalents	₱21,475,809	₱21,475,809	N/A	₱947,058
Receivables	3,521,367	3,521,367	N/A	–
Advances to officers and employees	180,906	180,906	N/A	–
Deposits	23,822	23,822	N/A	–
	25,201,904	25,201,904		947,058
Financial assets at fair value through other comprehensive income				
Premium Leisure Corp	6,369,000	2,829,755		319,476
		₱28,031,659		₱1,266,534

Schedule B. Amounts Receivable from Directors, Officers, Employees, and Principal Stockholders (Other than Related Parties)

Account	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance of end of Period
Officers and employees	₱83,836	₱180,906	(₱83,836)	₱–	₱180,906	₱–	₱180,906

Schedule C. Amounts of Receivable from Related Parties which are eliminated during the consolidation of financial statements

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Allowance for Doubtful Account	Current	Not Current	Balance at end ofPeriod
APC Mining Corporation	₱78,575,607	₱16,095	₱–	(₱78,559,512)	₱–	₱–	₱–
APC Cement Corporation	5,695,409	16,195	–	(5,711,604)	-	–	–
APC Energy Resources, Inc.	7,642,123	16,295	–	(7,658,418)	–	–	–
Aragorn Power and Energy Corporation	5,529,819	335,260	(640)	–	–	5,864,439	5,864,439
	₱97,442,958	₱383,845	(₱640)	(₱91,929,533)	₱–	₱5,864,439	₱5,864,439

Schedule D. Long-term Debt

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown under caption "Current portion of long-term debt" the statement of financial position	Amount Shown under "Long-Term Debt" the statement of financial position
None	–	–	–

Schedule E. Indebtedness to Related Parties

Name of Related Parties	Balance at Beginning of Period	Additions	Amounts Paid	Current	Not Current	Balance at end of Period
Belle Corporation	₱79,978,631	₱–	₱	₱79,978,631	₱–	₱79,978,631

Schedule F. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of Guarantee
None	–	–	–	–

Schedule G. 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
Components of Financial Soundness Indicators
As of December 31, 2020

Financial Ratios	Formula		**2020**	2019
Current Ratio	Total current assets divided by total current liabilities		**0.23**	1.28
	Total current assets	**₱25,194,022**		
	Divide by: Total current liabilities	**108,631,475**		
	Current ratio	**0.23**		
Acid Test Ratio	Quick assets (Total current assets less other current assets) divided by total current liabilities		**0.23**	1.28
	Total current assets	**25,194,022**		
	Less: Other current assets	**15,940**		
	Quick assets	**25,178,082**		
	Divide by: Total current liabilities	**108,631,475**		
	Acid test ratio	**0.23**		
Solvency Ratio	After tax net loss plus depreciation divided by total liabilities		**(0.05)**	(0.05)
	After tax net loss	**(5,881,483)**		
	Add: Depreciation	**27,522**		
		(5,853,961)		
	Divide by: Total liabilities	**114,597,482**		
	Solvency ratio	**(0.05)**		
Debt-to-Equity Ratio	Total liabilities divided by total stockholders' equity		**0.75**	0.69
	Total liabilities	**114,597,482**		
	Divide by: Total stockholders' equity	**152,828,462**		
	Debt-to-Equity ratio	**0.75**		
Asset to Equity Ratio	Total assets divided by Total stockholders' equity		**1.75**	1.69
	Total assets	**267,425,944**		
	Divide by: Total stockholders' equity	**152,828,462**		
	Asset-to-Equity ratio	**1.75**		
Return on Equity Ratio	Net loss divided by total stockholders' equity		**(0.04)**	(0.03)
	Net loss	**(5,881,483)**		
	Divide by:Total stockholders' equity	**152,828,462**		
	Return on equity ratio	**(0.04)**		
Return on Assets Ratio	Net loss divided by total assets		**(0.02)**	(0.02)
	Net loss	**(5,881,483)**		
	Total assets	**267,425,944**		
	Return on assets ratio	**(0.02)**		

Financial Ratios	Formula	**2020**	2019
Net Debt-to-Equity Ratio	Total interest-bearing debt less cash and cash equivalents divided by total stockholders ‘equity	Not Applicable	
Interest Rate Coverage Ratio	Earnings before interest and taxes divided by interest Expense	Not Applicable	
Net Profit Margin	Net income (loss) divided by net sales	Not Applicable	

APC Group, Inc.
Sustainability Reporting Template

Contextual Information

Company Details	
Name of Organization	APC Group, Inc. (APC or the "Company")
Location of Headquarters	G/F MyTown New York Bldg., General E. Jacinto St. corner Capas St., Brgy. Guadalupe Nuevo, Makati City
Location of Operations	APC's Principal Address is at G/F MyTown New York Bldg., General E. Jacinto St. corner Capas St., Brgy. Guadalupe Nuevo, Makati City
Report Boundary: Legal entities (e.g. subsidiaries) included in this report	Within APC only (parent only)
Business Model, including Primary Activities, Brands, Products, and Services	Originally organized to engage in the oil and gas exploration and development in the Philippines, APC was incorporated in the Philippines and are registered with the Philippine Securities and Exchange Commission (SEC) on October 15, 1993. The SEC approved the change in the primary purpose of the Company to that of a holding company on April 30, 1997. The Company's shares of stock are publicly traded in the Philippine Stock Exchange, Inc. (PSE).
Reporting Period	January 1 to December 31, 2020
Highest Ranking Person responsible for this report	Mr. Jackson T. Ongsip, President and Chief Executive Officer,

Materiality Process

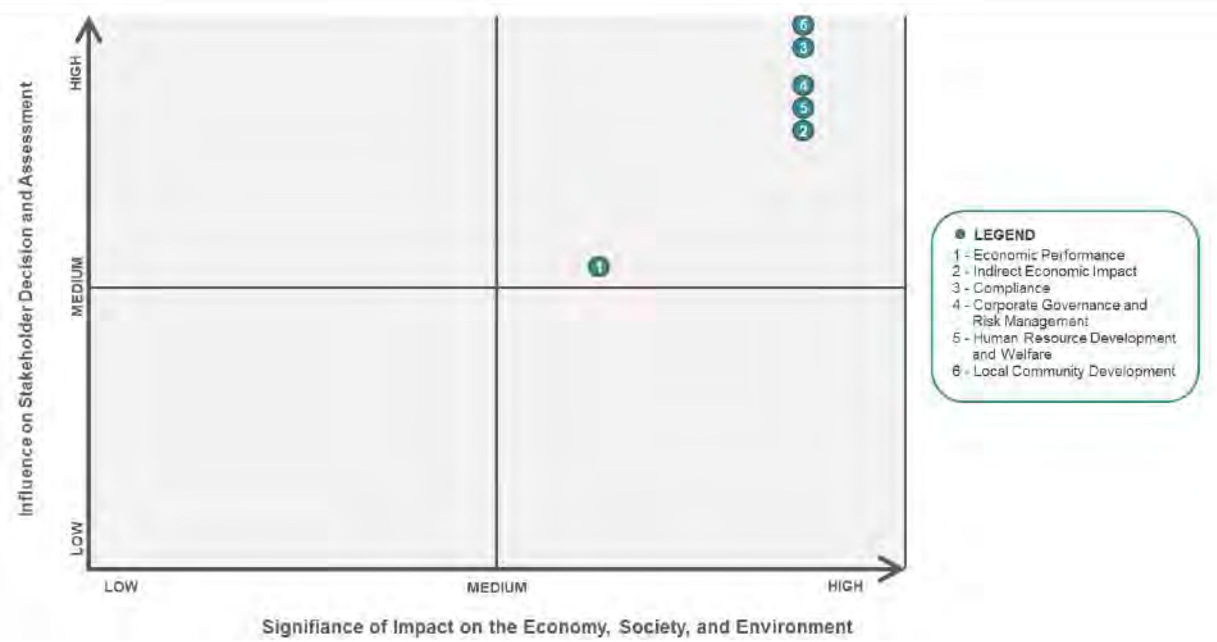
Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.

To identify our Company's material economic, environmental, social, and governance (EESG) topics, we underwent through the following process:

	1	2	3	4	5
Steps Taken	**Build Corporate Capacity**	**Review of Business Model with Senior Management and Employees**	**Identify Material Topics**	**Prioritize Material Topics**	**Process Review**

Description	Participation and attendance to SEC workshop on sustainability reporting, and internal training	Review of vision, operations, policies and practices, and identification of aspects which have critical impact on the EESG	Identification of material topics based on review of business	Engagement with internal and external stakeholders through dialogues and online surveys	Review of material topics and existing disclosures

Materiality Matrix



ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	*1,250,487*	PhP
Direct economic value distributed:	*8,661,434*	
a. Operating costs	*5,322,760*	PhP
b. Employee wages and benefits	*2,458,262*	PhP

c.	Payments to suppliers, other operating costs	*0*	Php
d.	Dividends given to stockholders and interest payments to loan providers	*0*	PhP
e.	Taxes given to government	*880,412*	PhP
f.	Investments to community (e.g. donations, CSR)	*0*	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Primary business operations and supply chain caused by the organization	*Employees, investors/shareholders, and suppliers/business partners, government*	*While not yet operating, the Company acknowledges the importance of sustainability to its businesses. It aims to create a direct economic impact through the economic value it will eventually distribute to its stakeholders in its primary business operations and supply chain.* *To be able to uphold its sustainable programs, APC, through its parent company, Belle Corporation ("Belle"), has adopted a global standard guiding principle aligned to the United Nations Global Compact to ensure proper implementation current practices and to seek for further developments.* *Led by our Management, the Company pursues to reach out to its stakeholders in order to recognize their interests.* *Alongside with Belle, and other co-subsidiaries, and as part of the SM Group, the Company anchored its sustainable development strategy to the seventeen (17) Sustainable Development Goals of the United Nations.* *This approach intends to have a strategic and diverse portfolio of businesses that delivers stable and reliable economic returns, which take into consideration social development and environmental protection.*

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Credit, liquidity and equity price risks; environmental risks which could hamper the exploration works, and put its employees in danger	*Subsidiaries; employees; business partners; suppliers; host communities*	*The Board reviews and approves while the Management implements policies which protect the interest of the Company and that of the subsidiaries and other stakeholders. Programs and policies on safety are established and observance to such by the employees and business partners is required* *APC shall maintain a safe, productive and conducive workplace and comply with all applicable health, safety and environmental laws.* *The Company shall endeavor to adhere to sustainable practices that ensure the protection of the environment and shall seek to deliver maximum growth with minimal and responsible consumption of natural resources.* http://www.apcaragorn.net/index.php/corporate-governance/code-of-conduct-and-ethics
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Increase of APC's shareholder value for partners and investors by seeking other renewable energy development investment opportunities	*Employees, host community members, suppliers/business partners, and investors/shareholders*	*To be open to partnerships or joint ventures as the Company pursues exploration work program for its Kalinga project, which will provide jobs to the locals*

Climate-related risks and opportunities[1]

Not material to the Company

Governance	Strategy	Risk Management	Metrics and Targets
Not material			
Recommended Disclosures			
Not material			
Not material			

[1] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

Not material			

Procurement Practices

Proportion of spending on local suppliers

- Not material to the Company

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	*Not material*	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not material		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not material		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not material		

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	*100*	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	*100*	%
Percentage of directors and management that have received anti-corruption training	*100*	%
Percentage of employees that have received anti-corruption training	*100*	%

What is the impact and where does it occur? What is the	Which stakeholders are affected?	Management Approach

organization's involvement in the impact?		
Established anti-corruption policies, standards, and practices due to information campaigns	*Employees, host community members, suppliers/business partners, and investors/shareholders*	*In order to provide continued protection to the interests of its stakeholders, the Board is regularly presented with updates on best corporate governance practices and instructs the Management to update and cascade the policies to the employees for implementation.* *The Board has approved a policy on whistle-blowing that encourages employees to participate and work towards creating an environment where concerns can be freely raised for possible violations of the Company's Code of Business Conduct and Ethics, policies and laws without fear of retaliation.* http://www.apcaragorn.net/index.php/corporate-governance/company-policies
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Reputational risk	*Employees, suppliers/business partners*	*The Company regularly reviews, updates and cascades its good governance policies. It also ensures its strict implementation, and application of sanctions as it deems fit.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
To maintain and increase stakeholders' trust and confidence to the Company, which can possibly influence potential investors and business partners, and be recognized a strong supporter of good governance practices.	*Employees, host community members, suppliers/business partners, and investors/shareholders*	*The Company actively updates and cascades to its employees its policies, processes, and procedures, especially on corporate governance, particularly on anti-corruption.* http://www.apcaragorn.net/index.php/corporate-governance/company-policies

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	*0*	#
Number of incidents in which employees were dismissed or disciplined for corruption	*0*	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	*0*	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Primary business operations and supply chain caused by the organization and through its business relationship	*Employees, host community members, suppliers/business partners, and investors/shareholders*	*In order to provide continued protection to the interests of its stakeholders, the Board is regularly presented with updates on best corporate governance practices and instructs the Management to update and cascade the policies to the employees for implementation.* *The Board has approved a policy on whistle-blowing that encourages employees to participate and work towards creating an environment where concerns can be freely raised for possible violations of the Company's Code of Business Conduct and Ethics, policies and laws without fear of retaliation.* http://www.apcaragorn.net/index.php/corporate-governance/company-policies
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Reputational risk	*Employees, suppliers/business partners, investors, shareholders*	*The Company regularly reviews, updates and cascades its good governance policies. It also ensures its strict implementation, and application of sanctions as it deems fit.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**

To maintain and increase stakeholders' trust and confidence to the Company, which can possibly influence potential investors and business partners, and be recognized a strong supporter of good governance practices	*Employees, host community members, suppliers/business partners, and investors/shareholders*	*The Company actively updates and cascades to its employees its policies, processes, and procedures, especially on corporate governance, particularly on anti-corruption.* http://www.apcaragorn.net/index.php/corporate-governance/company-policies

ENVIRONMENT

Resource Management

Energy consumption within the organization:

- Not material to the Company

Disclosure	Quantity	Units
Energy consumption (renewable sources)	*Not material*	GJ
Energy consumption (gasoline)	*Not material*	GJ
Energy consumption (LPG)	*Not material*	GJ
Energy consumption (diesel)	*Not material*	GJ
Energy consumption (electricity)	*Not material*	kWh

Reduction of energy consumption

- Not material to the Company

Disclosure	Quantity	Units
Energy reduction (gasoline)	Not material	GJ
Energy reduction (LPG)	Not material	GJ
Energy reduction (diesel)	Not material	GJ
Energy reduction (electricity)	Not material	kWh
Energy reduction (gasoline)	Not material	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Not material		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not material		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not material		

Water consumption within the organization

- Not material to the Company

Disclosure	Quantity	Units

Water withdrawal	*Not material*	Cubic meters
Water consumption	*Not material*	Cubic meters
Water recycled and reused	*Not material*	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Not material		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not material		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not material		

Materials used by the organization

- Not material to the Company

Disclosure	**Quantity**	**Units**
Materials used by weight or volume		
• renewable	*Not material*	kg/liters
• non-renewable	*Not material*	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	*Not material*	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Not material		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not material		

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not material		

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine) - Not material to the Company

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	*(identify all sites)* *Not material*	
Habitats protected or restored	*Not material*	Ha
IUCN[2] Red List species and national conservation list species with habitats in areas affected by operations	*(list)* *Not material*	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not material		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not material		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not material		

Environmental impact management

Air Emissions

GHG

- Not material to the Company

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	*Not material*	Tonnes CO2e

[2] International Union for Conservation of Nature

Energy indirect (Scope 2) GHG Emissions	*Not material*	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	*Not material*	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Not material		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not material		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not material		

Air pollutants

- Not material to the Company

Disclosure	**Quantity**	**Units**
NOx	*Not material*	kg
SOx	*Not material*	kg
Persistent organic pollutants (POPs)	*Not material*	kg
Volatile organic compounds (VOCs)	*Not material*	kg
Hazardous air pollutants (HAPs)	*Not material*	kg
Particulate matter (PM)	*Not material*	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Not material		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not material		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**

Not material		

Solid and Hazardous Wastes

Solid Waste

- Not material to the Company

Disclosure	Quantity	Units
Total solid waste generated	*Not material*	kg
Reusable	*Not material*	kg
Recyclable	*Not material*	kg
Composted	*Not material*	kg
Incinerated	*Not material*	kg
Residuals/Landfilled	*Not material*	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not material		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not material		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not material		

Hazardous Waste

- Not material to the Company

Disclosure	Quantity	Units
Total weight of hazardous waste generated	*Not material*	kg
Total weight of hazardous waste transported	*Not material*	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not material		

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not material		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not material		

Effluents

- Not material to the Company

Disclosure	Quantity	Units
Total volume of water discharges	*Not material*	Cubic meters
Percent of wastewater recycled	*Not material*	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not material		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not material		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not material		

Environmental compliance

Non-compliance with Environmental Laws and Regulations

- Not material to the Company

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	*Not material*	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	*Not material*	#
No. of cases resolved through dispute resolution mechanism	*Not material*	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not material		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not material		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not material		

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[3]	*3*	
a. Number of female employees	*1*	#
b. Number of male employees	*2*	#
Attrition rate[4]	*0%*	rate
Ratio of lowest paid employee against minimum wage	*1 : 2.19*	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	*Y*	*100%*	*50%*
PhilHealth	*Y*	*0%*	*50%*
Pag-ibig	*Y*	*0%*	*50%*
Parental leaves	*Y*	*0%*	*0%*
Vacation leaves	*Y*	*100%*	*100%*
Sick leaves	*Y*	*100%*	*100%*

[3] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)
[4] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Medical benefits (aside from PhilHealth))	*Y*	*100%*	*100%*
Housing assistance (aside from Pag-ibig)	*N*	-	-
Retirement fund (aside from SSS)	*Y*	*0%*	*0%*
Further education support	*N*	-	-
Company stock options	*N*	-	-
Telecommuting	*N*	-	-
Flexible-working Hours	*Y*	*0%*	*100%*
(Others)	*N*	-	-

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Primary business operations caused by the organization – Having an average of 7 years of retention among the employees	*APC values and gives importance to its employees by empowering them and fulfilling their career aspirations to help progress their capabilities, and to encourage loyalty, dedication, passion and productivity at work. The Company also believes that investing in its people and developing a diverse talent pool are critical to its success and growth. APC provides resources, services and facilities to equip its employees with the necessary knowledge and skills to better perform their duties as well as offer them various opportunities to continuously enhance their professional knowledge and skills, and to improve themselves as individuals and as members of the community.* *The Company also exerts its best efforts to maintain a climate conducive to working and provides a substantial level of job security, benefits and personal rewards for their employees. The performance evaluation system has been designed and established to provide a common and equitable basis for evaluating the performance of individual employees. It also implements policies on promotions and salary adjustments in support of APC's aim to empower and fulfill career aspirations of employees.*
What are the Risk/s Identified?	**Management Approach**

Higher attrition rate which could affect the business operations and delivery of services; additional costs to be incurred due to the need to train employees	*APC treats its employees fairly by providing them with opportunities for career development and advancement based on merit, regardless of gender, age, religion.* http://www.apcaragorn.net/index.php/corporate-governance/code-of-conduct-and-ethics
What are the Opportunity/ies Identified?	**Management Approach**
To motivate talents, and to assure internal equity in pay	*Constant exploration of human resource developments and enhancements, particularly on employment, benefits and other perquisites.*

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	*0*	hours
b. Male employees	*0*	hours
Average training hours provided to employees		
a. Female employees	*0*	hours/employee
b. Male employees	*0*	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Primary business operations caused by the organization – having a pool of specialized team players	*APC values and gives importance to its employees by empowering them and fulfilling their career aspirations to help progress their capabilities, and to encourage loyalty, dedication, passion and productivity at work. The Company also believes that investing in its people and developing a diverse talent pool are critical to its success and growth. APC provides resources, services and facilities to equip its employees with the necessary knowledge and skills to better perform their duties as well as offer them various opportunities to continuously enhance their professional knowledge and skills, and to improve themselves as individuals and as members of the community.* *Upon being hired, an employee undergoes induction and orientation as may be determined*

	by the Company. Each newly hired employee is introduced to the organization and is oriented on the personnel policies, guidelines and benefits through a Corporate Orientation Program. An annual mandated Corporate Training is also done to refresh employees on Company Codes and Policies. Specific technical training and compliance to Continuing Professional Development are among Management's approach to ensure learning and development of employees.
What are the Risk/s Identified?	**Management Approach**
Higher attrition rate which could affect the business operations and delivery of services; additional costs to be incurred due to the need to train employees	*APC treats its employees fairly by providing them with opportunities for career development and advancement based on merit, regardless of gender, age, religion.* http://www.apcaragorn.net/index.php/corporate-governance/code-of-conduct-and-ethics
What are the Opportunity/ies Identified?	**Management Approach**
Obtaining home-grown professionals equipped for career advancement/succession	*Constant exploration of human resource developments and enhancements, particularly on employee training and development*

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	*0*	%
Number of consultations conducted with employees concerning employee-related policies	*0*	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Primary business operations caused by the organization and through the business relationship – effective cooperation between the management and labor workforce	*Open communication lines amongst the Company's directors and management, and management and employees are maintained.* *It is also a goal and part of the mission of the Company to enhance the positive atmosphere of open communication and the maintenance of a productive work environment conducive to high*

	performance and harmonious employer-employee relationship.
What are the Risk/s Identified?	**Management Approach**
Disagreements between management and employees leading to disruption of business operations and ultimately suspension of services	*Code of Business Conduct and Ethics (the "CBCE") was established to serve as a guideline for employee discipline and forms the grounds for disciplinary actions.* *The CBCE was also put in place to serve as a guide for directors, management, employees and other concerned stakeholders relative to the performance of their duties and responsibilities, as well as for all business dealings with the Company.* http://www.apcaragorn.net/index.php/corporate-governance/code-of-conduct-and-ethics
What are the Opportunity/ies Identified?	**Management Approach**
A clear and unified impartment of directions to attain the Company's goals	*Preserved communication mechanisms, and continuous look-out improvement*

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	*33%*	%
% of male workers in the workforce	*67%*	%
Number of employees from indigenous communities and/or vulnerable sector*	*0*	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Primary business operations caused by the organization – Variety of equally-treated individuals with diverse approach and viewpoint to realize a common goal	*The Company provides equal opportunities for its employees, regardless of age, gender, or creed and adopted policies, which promote and observe diversity to and equality throughout the organization.* http://www.apcaragorn.net/index.php/corporate-governance/company-policies

	APC encourages respect amongst its employees by setting policies and codes that support diversity in the workplace. It adheres to labor standards that support vulnerable sectors of the community (RA 9710), (RA 9262), and etc.
What are the Risk/s Identified?	**Management Approach**
Discrimination in the workplace	*Whether in selection of the countries and markets where the Company operates, hiring and promotion of employees, selection of suppliers and contractors – the Company decides on the basis of merit and value to shareholders and does not discriminate on the basis of race, ethnicity, religion, or gender.* *All board members, officers, and employees are prohibited from practicing any form of discrimination or harassment in the workplace. This obligation to refrain from such behavior extends to contractors, vendors, suppliers, or visitors, to the extent that their conduct affects the work environment.* http://www.apcaragorn.net/index.php/corporate-governance/code-of-conduct-and-ethics
What are the Opportunity/ies Identified?	**Management Approach**
Capturing different perspectives and ideas, with equal appreciation, with the intention of achieving the Company's goals	*Interminable improvement of the Company's policies on governance, particularly on diversity and equality*

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	*8,670**	Man-hours
No. of work-related injuries	*0*	#
No. of work-related fatalities	*0*	#
No. of work related ill-health	*0*	#
No. of safety drills	*2*	#

**full year*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**

Primary business operations caused by the organization – having active and fit employees, and harm-free working environment	*Strict compliance of the Company's safety, health and welfare policy.* *The Company provides medical/clinical benefits to all employees. Employees are entitled to a free standard check up in the Medical Clinic and are provided the available medicine supplies at the Company Clinic.* *The Company also implements and conducts various health-related activities and programs including but not limited to Drug-Free Workplace, Family Welfare Program, HIV and AIDS Prevention and Control in the Workplace Program, Workplace Policy on Hepatitis B, Program on Tuberculosis Prevention and Control in the Workplace, Covid 19 tests, and the like.*
What are the Risk/s Identified?	**Management Approach**
Due to the nature of our operations, the risk of injury is minimal.	*While there is nominal risk identified, continuous review and updating, as needed, of requirements to compliance is done*
What are the Opportunity/ies identified?	Management Approach
A more motivating and secured working atmosphere for the employees	*Continuing feedback mechanisms to consider/acknowledge insights from employees*

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	*0*	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	*The Company's Code of Business Conduct and Ethics espouses the adherence to compliance with best corporate governance practices and standards, and applicable laws, rules and regulations. This covers ethical practices such as but not limited to support for diversity and non-discrimination, employee*
Child labor	Y	
Human Rights	Y	

		welfare, among others. The Company also has policies, which are regularly updated and uploaded in its website. http://www.apcaragorn.net/index.php/corporate-governance/code-of-conduct-and-ethics http://www.apcaragorn.net/index.php/corporate-governance/company-policies

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Good standing for moral values for recognizing labor laws and human rights	*Pursue observance to pertinent rules, and regular look-out for relevant issuances.* http://www.apcaragorn.net/index.php/corporate-governance/manual-on-corporate-governance
What are the Risk/s Identified?	**Management Approach**
Risk of violation of labor laws leading to possible filing of lawsuits; loss of confidence from investors; demoralized employees	*APC adheres to labor laws and protection of human rights as much as violations done by employees are not tolerated.* http://www.apcaragorn.net/index.php/corporate-governance/manual-on-corporate-governance
What are the Opportunity/ies Identified?	**Management Approach**
To further the employees and other stakeholders' certainty and optimism towards the Management's labor laws and human rights initiatives	*Issuance of certification of full compliance, and confirmation of data with zero complaints, through various reports*

Supply Chain Management

- Not material to the Company

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

____

Do you consider the following sustainability topics when accrediting suppliers?

Topic	**Y/N**	**If Yes, cite reference in the supplier policy**
Environmental performance	*Not material*	
Forced labor	*Not material*	

Child labor	*Not material*	
Human rights	*Not material*	
Bribery and corruption	*Not material*	

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Not material	
What are the Risk/s Identified?	**Management Approach**
Not material	
What are the Opportunity/ies Identified?	**Management Approach**
Not material	

Relationship with Community

Significant Impacts on Local Communities

Not material to the Company

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	**Location**	**Vulnerable groups (if applicable)***	**Does the particular operation have impacts on indigenous people (Y/N)?**	**Collective or individual rights that have been identified that or particular concern for the community**	**Mitigating measures (if negative) or enhancement measures (if positive)**
Not material					

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: ______________

Certificates	**Quantity**	**Units**

FPIC process is still undergoing	*Not material*	#
CP secured	*Not material*	#

What are the Risk/s Identified?	**Management Approach**
Not material	
What are the Opportunity/ies Identified?	**Management Approach**
Not material	

Customer Management

Customer Satisfaction

- Not material to the Company

Disclosure	**Score**	**Did a third party conduct the customer satisfaction study (Y/N)?**
Customer satisfaction	*Not material*	

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Not material	
What are the Risk/s Identified?	**Management Approach**
Not material	
What are the Opportunity/ies Identified?	**Management Approach**
Not material	

Health and Safety

- Not material to the Company

Disclosure	**Quantity**	**Units**
No. of substantiated complaints on product or service health and safety*	*Not material*	#
No. of complaints addressed	*Not material*	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**

Not material	
What are the Risk/s Identified?	**Management Approach**
Not material	
What are the Opportunity/ies Identified?	**Management Approach**
Not material	

Marketing and labelling

- Not material to the Company

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	*Not material*	#
No. of complaints addressed	*Not material*	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not material	
What are the Risk/s Identified?	**Management Approach**
Not material	
What are the Opportunity/ies Identified?	**Management Approach**
Not material	

Customer privacy

- Not material to the Company

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	*Not material*	#
No. of complaints addressed	*Not material*	#
No. of customers, users and account holders whose information is used for secondary purposes	*Not material*	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not material	
What are the Risk/s Identified?	**Management Approach**
Not material	
What are the Opportunity/ies Identified?	**Management Approach**
Not material	

Data Security

- Not material to the Company

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	*Not material*	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not material	
What are the Risk/s Identified?	**Management Approach**
Not material	
What are the Opportunity/ies Identified?	**Management Approach**
Not material	

Compliance

Non-compliance with Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Full compliance with the Company's Manual on Corporate Governance, which that adheres compliance with best corporate governance practices and standards, and applicable laws, rules and regulations.	*Employees, host community members, suppliers/business partners, investors/shareholders, and regulators*	*The Board has been identifying areas of continuing education on corporate governance topics. To keep the Board and key officers well-informed of good governance practices and standards, regular annual education programs are conducted in coordination with its parent company and training providers duly accredited by the SEC, while employees and business partners are being informed of the Company's governance-related policies and practices upon on-boarding and timely updates.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
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 APC.	*Employees, host community members, suppliers/business partners, investors/shareholders, and regulators*	*In order to mitigate, the Company continues to exercise fiscal prudence and adopts what it considers conservative financial and operational controls.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
To maintain and increase stakeholders' trust and confidence to the Company, which can possibly influence potential investors and business partners, and be recognized as one of leading companies for its compliance and good governance practices.	*Employees, host community members, suppliers/business partners, and investors/shareholders*	*The Company continues to seek for improvements on its policies, processes, procedures on corporate governance and sustainability as it affirms its commitment to the enhancement of its stakeholder value.*

Local Community Development

Not material to the Company

Disclosure	Quantity	Units
Number of direct beneficiaries of corporate social responsibility initiative/s	*Not material*	#
Number of communities benefitted from corporate social responsibility initiative/s	*Not material*	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Not material	
What are the Risk/s Identified?	**Management Approach**
Not material	
What are the Opportunity/ies Identified?	**Management Approach**
Not material	

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Please refer to the Business Model, including Primary Activities, Brands, Products, and Services, under Contextual Information of this Report	*SDG 1: No Poverty* *P880,412 taxes paid in 2020*	*In spite the Company's contributions, it can only cover limited areas*	*To pay taxes which help provide sustainable and inclusive growth.*
	SDG 8: Decent Work and Economic Growth *P1.3M revenues generated in 2020*	*Insufficient opportunities for vulnerable sector*	*The Company prioritizes the welfare of its employees, recognizes its top performers and provides a safe and healthy working*

			environment. It also aspires to be an employer of choice by providing benefits, career growth, training and work-life balance, engagement programs, among others. *APC also developed various policies (please refer to the following links) to implement and ensure that overall employee and other stakeholders' welfare and interests are being valued.*

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

Your BIR AFS eSubmission uploads were received

eafs@bir.gov.ph <eafs@bir.gov.ph>

Mon 4/5/2021 10:41 AM

To: AIVYTABARNILLA.APC@GMAIL.COM <AIVYTABARNILLA.APC@GMAIL.COM>
Cc: Aivebel E. Tabarnilla <aivebel.tabarnilla@premiumleisurecorp.com>

Hi APC GROUP, INC.,

Valid files

- EAFS002834075ITRTY122020.pdf
- EAFS002834075AFSTY122020.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-2WVPN4WP0797B9L97QWX3QZWS0NSMMWVTQ**
Submission Date/Time: **Apr 05, 2021 10:27 AM**
Company TIN: **002-834-075**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

For Encrypted Emails click here for instructions

APC GROUP INC.

STATEMENT OF MANAGEMENT'S RESPONSIBIILITY FOR ANNUAL INCOME TAX RETURN

The management of **APC Group, Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2020. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the management affirms that the attached audited financial statements for the year ended December 31, 2020 and the accompanying Annual Income Tax Return are in accordance with the books and records of APC Group, Inc. complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the association's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) APC Group, Inc. has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

WILLY N. OCIER
Chairman of the Board

JACKSON T. ONGSIP
President and
Chief Executive Officer

IAN JASON R. AGUIRRE
Executive Vice President and
Chief Finance Officer

MAKATI CITY

Signed this 1st day of March 2021

MAR 01 2021

Doc. No. 331
Page No. 68
Book No. 58
Series of 2021

ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-46 until 12/31/2021
PTR No. 8531012, Jan. 4, 2021 Until Dec. 31, 2021 Makati City
Roll No. 45790, IBP Lifetime N. 04897
MCLE No VI-0016565 / Jan. 14, 2019
G/F Fedman Suites 199 Salcedo Street,
Legaspi Village, Makati City

G/F MyTown New York Bldg.
General E. Jacinto St. cor. Capas St.
Brgy. Guadalupe Nuevo, Makati City
Tel.: (632) 662-8888 loc 2101

Bureau of Internal Revenue
Republic of the Philippines

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 002-834-075-000
Name	: APC GROUP,INC.
RDO	: 050
Form Type	: 1702
Reference No.	: 122100041021406
Amount Payable (Over Remittance)	: 0.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2020
Date Filed	: 04/05/2021
Tax Type	: IT

Reference No : 122100041021406
Date Filed : April 05, 2021 09:15 AM
Batch Number : 0

For BIR Use Only | BCS/ Item

1702-RT06/13P1

Republika ng Pilipinas
Kagawaran ng Pananalapi
Kawanihan ng Rentas Internas

Annual Income Tax Return

For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.

BIR Form No. **1702-RT** June 2013 **Page 1**

1 For (•) Calendar ( ) Fiscal
2 Year Ended (MM/20YY): 12 / 2020
3 Amended Return? ( ) Yes (•) No
4 Short Period Return? ( ) Yes (•) No
5 Alphanumeric Tax Code (ATC): IC055 — Minimum Corporate Income Tax (MCIT) [✓]

Part I - Background Information

6 Taxpayer Identification Number (TIN)	002 - 834 - 075 - 000
7 RDO Code	050
8 Date of Incorporation/Organization (MM/DD/YYYY)	10/15/1993
9 Registered Name *(Enter only 1 letter per box using CAPITAL LETTERS)*	APC GROUP,INC.
10 Registered Address *(Indicate complete registered address)*	G/F MYTOWN NEW YORK BLDG., GEN GUADALUPE NUEVO CITY OF MAKATI, NCR, FOURTH DI
11 Contact Number	86628888
12 Email Address	aivytabarnilla.apc@gmail.com
13 Main Line of Business	INVESTMENT COMPANY OPERATION
14 PSIC Code	6691

15 Method of Deductions (•) Itemized Deductions [Section 34 (A-J), NIRC] ( ) Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]

Part II - Total Tax Payable *(Do NOT enter Centavos)*

16 Total Income Tax Due (Overpayment) *(From Part IV Item 44)*	0
17 Less: Total Tax Credits/Payments *(From Part IV Item 45)*	0
18 Net Tax Payable (Overpayment) *(Item 16 Less Item 17) (From Part IV Item 46)*	0
19 Add: Total Penalties *(From Part IV Item 50)*	0
20 TOTAL AMOUNT PAYABLE (Overpayment) *(Sum of Item 18 and 19) (From Part IV Item 51)*	0

21 If Overpayment, mark "X" one box only *(Once the choice is made, the same is irrevocable)*
( ) To be refunded ( ) To be issued a Tax Credit Certificate (TCC) ( ) To be carried over as tax credit next year/quarter

We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. *(If Authorized Representative, attach authorization letter and indicate TIN)*

Signature over printed name of President/Principal Officer/Authorized Representative	Signature over printed name of Treasurer/Assistant Treasurer

Title of Signatory: | Number of pages filed: 8

22 (•) Community Tax Certificate (CTC) Number ( ) SEC Reg No.	00103245	**23** Date of Issue (MM/DD/YYYY)	01/11/2021
24 Place of Issue	MAKATI CITY	**25** Amount, if CTC	4,492

Part III - Details of Payment

Details of Payment	Drawee Bank/Agency	Number	Date *(MM/DD/YYYY)*	Amount
26 Cash/Bank Debit Memo				0
27 Check				0
28 Tax Debit Memo				0
29 Others *(Specify Below)*				
				0

Machine Validation/Revenue Official Receipts Details *(if not filed with an Authorized Agent Bank)*	*Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)*

Annual Income Tax Return
Page 2

BIR Form No. **1702-RT** June 2013

1702-RT06/13P2

Taxpayer Identification Number (TIN)	Registered Name
002 - 834 - 075 - 000	APC GROUP,INC.

Part IV - Computation of Tax *(Do NOT enter Centavos)*

30 Net Sales/Revenues/Receipts/Fees *(From Schedule 1 Item 6)*		0
31 Less: Cost of Sales/Services *(From Schedule 2 Item 27)*		0
32 Gross Income from Operation *(Item 30 Less Item 31)*		0
33 Add: Other Taxable Income Not Subjected to Final Tax *(From Schedule 3 Item 4)*		0
34 Total Gross Income *(Sum of Items 32 & 33)*		0
Less: Deductions Allowable under Existing Law		
35 Ordinary Allowable Itemized Deductions *(From Schedule 4 Item 40)*	7,020,706	
36 Special Allowable Itemized Deductions *(From Schedule 5 Item 5)*	0	
37 NOLCO *(only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Schedule 6A Item 8D)*	0	
38 Total Itemized Deductions *(Sum of Items 35 to 37)*	7,020,706	
OR *[in case taxable under Sec 27(A) & 28(A)(1)]*		
39 Optional Standard Deduction *(40% of Item 34)*	0	
40 Net Taxable Income *(Item 34 Less Item 38 OR 39)*		(7,020,706)
41 Income Tax Rate		**30.0%**
42 Income Tax Due other than MCIT *(Item 40 x Item 41)*		0
43 Minimum Corporate Income Tax (MCIT) *(2% of Gross Income in Item 34)*		0
44 Total Income Tax Due *(Normal Income Tax in Item 42 or MCIT in Item 43, whichever is higher) (To part II Item 16)*		0
45 Less: Total Tax Credits/Payments *(From Schedule 7 Item 12) (To Part II Item 17)*		0
46 Net Tax Payable (Overpayment) *(Item 44 Less Item 45) (To Part II Item 18)*		0
Add Penalties		
47 Surcharge	0	
48 Interest	0	
49 Compromise	0	
50 Total Penalties *(Sum of Items 47 to 49) (To part II Item 19)*		0
51 Total Amount Payable (Overpayment) *(Sum Item 46 & 50) (To Part II Item 20)*		0

Part V - Tax Relief Availment *(Do NOT enter Centavos)*

52 Special Allowable Itemized Deductions *(30% of Item 36)*	0
53 Add: Special Tax Credits *(From Schedule 7 Item 9)*	0
54 Total Tax Relief Availment *(Sum of Items 52 & 53)*	0

Part VI - Information - External Auditor/Accredited Tax Agent

55 Name of External Auditor/Accredited Tax Agent	SYCIP GORRES VELAYO CO
56 TIN	000 - 502 - 547 - 000
57 Name of Signing Partner *(If External Auditor is a Partnership)*	JOHNNY F. ANG
58 TIN	221 - 717 - 423 - 000

59 BIR Accreditation No.	**60** Issue Date *(MM/DD/YYYY)*	**61** Expiry Date *(MM/DD/YYYY)*
08 - 001998 - 101 - 2018	11/06/2018	11/05/2021

Annual Income Tax Return
Page 3 - Schedules 1 & 2

BIR Form No. **1702-RT** June 2013

1702-RT06/13P3

Taxpayer Identification Number (TIN)	Registered Name
002 - 834 - 075 - 000	APC GROUP,INC.

Schedule 1 - Sales/Revenues/Receipts/Fees *(Attach additional sheet/s, if necessary)*

1 Sale of Goods/Properties	0
2 Sale of Services	0
3 Lease of Properties	0
4 Total *(Sum of Items 1 to 3)*	0
5 Less: Sales Returns, Allowances and Discounts	0
6 Net Sales/Revenues/Receipts/Fees *(Item 4 Less Item 5) (To Part IV Item 30)*	0

Schedule 2 - Cost of Sales *(Attach additional sheet/s, if necessary)*

Schedule 2A - Cost of Sales (For those Engaged in Trading)

1 Merchandise Inventory - Beginning	0
2 Add: Purchases of Merchandise	0
3 Total Goods Available for Sale *(Sum of Items 1 & 2)*	0
4 Less: Merchandise Inventory, Ending	0
5 Cost of Sales *(Item 3 Less Item 4) (To Schedule 2 Item 27)*	0

Schedule 2B - Cost of Sales (For those Engaged in Manufacturing)

6 Direct Materials, Beginning	0
7 Add: Purchases of Direct Materials	0
8 Materials Available for Use *(Sum of Items 6 & 7)*	0
9 Less: Direct Materials, Ending	0
10 Raw Materials Used *(Item 8 Less Item 9)*	0
11 Direct Labor	0
12 Manufacturing Overhead	0
13 Total Manufacturing Cost *(Sum of Items 10, 11 & 12)*	0
14 Add: Work in Process, Beginning	0
15 Less: Work in Process, Ending	0
16 Cost of Goods Manufactured *(Sum of Items 13 & 14 Less Item 15)*	0
17 Finished Goods, Beginning	0
18 Less: Finished Goods, Ending	0
19 Cost of Goods Manufactured and Sold *(Sum of Items 16 & 17 Less Item 18) (To Sched. 2 Item 27)*	0

Schedule 2C - Cost of Services
(For those Engaged in Services, indicate only those directly incurred or related to the gross revenue from rendition of services)

20 Direct Charges - Salaries, Wages and Benefits	0
21 Direct Charges - Materials, Supplies and Facilities	0
22 Direct Charges - Depreciation	0
23 Direct Charges - Rental	0
24 Direct Charges - Outside Services	0
25 Direct Charges - Others	0
26 Total Cost of Services *(Sum of Items 20 to 25) (To Item 27)*	0

27 Total Cost of Sales/Services *(Sum of Items 5, 19 & 26, if applicable) (To Part IV Item 31)*	0

Annual Income Tax Return Page 4 - Schedules 3 & 4	BIR Form No. **1702-RT** June 2013	1702-RT06/13P4

Taxpayer Identification Number (TIN)	Registered Name
002 - 834 - 075 - 000	APC GROUP,INC.

Schedule 3 - Other Taxable Income Not Subjected to Final Tax *(Attach additional sheet/s, if necessary)*

1	0
2	0
3	0
4 Total Other Taxable Income Not Subjected to Final Tax *(Sum of Items 1 to 3) (To Part IV Item 33)*	0

Schedule 4 - Ordinary Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

1 Advertising and Promotions	0
Amortizations *(Specify on Items 2, 3 & 4)*	
2	0
3	0
4	0
5 Bad Debts	0
6 Charitable Contributions	0
7 Commissions	0
8 Communication, Light and Water	21,409
9 Depletion	0
10 Depreciation	27,522
11 Director's Fees	0
12 Fringe Benefits	0
13 Fuel and Oil	0
14 Insurance	0
15 Interest	0
16 Janitorial and Messengerial Services	0
17 Losses	0
18 Management and Consultancy Fee	0
19 Miscellaneous	439,248
20 Office Supplies	0
21 Other Services	0
22 Professional Fees	2,705,813
23 Rental	53,571
24 Repairs and Maintenance - (Labor or Labor & Materials)	0
25 Repairs and Maintenance - (Materials/Supplies)	0
26 Representation and Entertainment	0
27 Research and Development	0
28 Royalties	0
29 Salaries and Allowances	2,548,262

Annual Income Tax Return
Page 5 - Schedules 4, 5 & 6

BIR Form No. **1702-RT** June 2013

1702-RT06/13P5

Taxpayer Identification Number (TIN)	Registered Name
002 - 834 - 075 - 000	APC GROUP,INC.

Schedule 4 - Ordinary Allowable Itemized Deductions *(Continued from Previous Page)*

30 Security Services	0
31 SSS, GSIS, Philhealth, HDMF and Other Contributions	0
32 Taxes and Licenses	284,712
33 Tolling Fees	0
34 Training and Seminars	0
35 Transportation and Travel	830,971
Others *[Specify below; Add additional sheet(s), if necessary]*	
36 DUES AND SUBSCRIPTION	109,198
37	0
38	0
39	0
40 Total Ordinary Allowable Itemized Deductions *(Sum of Items 1 to 39) (To Part IV Item 35)*	7,020,706

Schedule 5 - Special Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

Description	Legal Basis	Amount
1		0
2		0
3		0
4		0
5 Total Special Allowable Itemized Deductions *(Sum of Items 1 to 4) (To Part IV Item 36)*		0

Schedule 6 - Computation of Net Operating Loss Carry Over (NOLCO)

1 Gross Income *(From Part IV Item 34)*	0
2 Less: Total Deductions Exclusive of NOLCO & Deduction Under Special Law	7,020,706
3 Net Operating Loss *(To Schedule 6A)*	(7,020,706)

Schedule 6A - Computation of Available Net Operating Loss Carry Over (NOLCO)

Net Operating Loss		B) NOLCO Applied Previous Year
Year Incurred	A) Amount	
4 2020	7,020,706	0
5 2019	8,330,074	0
6 2018	12,544,931	0
7 2017	17,533,075	0

Continuation of Schedule 6A *(Item numbers continue from the table above)*

	C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied)
4	0	0	7,020,706
5	0	0	8,330,074
6	0	0	12,544,931
7	17,533,075	0	0
8 Total NOLCO *(Sum of Items 4D to 7D) (To Part IV Item 37)*		0	

Annual Income Tax Return
Page 6 - Schedules 7, 8 & 9

BIR Form No. **1702-RT** June 2013

1702-RT06/13P6

Taxpayer Identification Number (TIN)	Registered Name
002 - 834 - 075 - 000	APC GROUP,INC.

Schedule 7 - Tax Credits/Payments (attach proof) *(Attach additional sheet/s, if necessary)*

1 Prior Year's Excess Credits Other Than MCIT	0
2 Income Tax Payment under MCIT from Previous Quarter/s	0
3 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s	0
4 Excess MCIT Applied this Current Taxable Year *(From Schedule 8 Item 4F)*	0
5 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	0
6 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	0
7 Foreign Tax Credits, if applicable	0
8 Tax Paid in Return Previously Filed, if this is an Amended Return	0
9 Special Tax Credits *(To Part V Item 53)*	0
Other Credits/Payments *(Specify)*	
10	0
11	0
12 Total Tax Credits/Payments *(Sum of Items 1 to 11) (To Part IV Item 45)*	0

Schedule 8 - Computation of Minimum Corporate Income Tax (MCIT)

	Year	A) Normal Income Tax as Adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1		0	0	0
2		0	0	0
3		0	0	0

Continuation of Schedule 8 *(Line numbers continue from table above)*

	D) Excess MCIT Applied/Used for Previous Years	E) Expired Portion of Excess MCIT	**F) Excess MCIT Applied this Current Taxable Year**	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s
1	0	0	0	0
2	0	0	0	0
3	0	0	0	0
4	**Total Excess MCIT** *(Sum of Column for Items 1F to 3F) (To Schedule 7 Item 4)*		0	

Schedule 9 - Reconciliation of Net Income per Books Against Taxable Income *(Attach additional sheet/s, if necessary)*

1	Net Income/(Loss) per books	(5,754,112)
	Add: Non-deductible Expenses/Taxable Other Income	
2	RETIREMENT EXPENSE	775,694
3	OTHERS	1,227,329
4	**Total** *(Sum of Items 1 to 3)*	(3,751,089)
	Less: A) Non-taxable Income and Income Subjected to Final Tax	
5	INTEREST INCOME SUBJECTED TO FINAL TAX	931,011
6	OTHERS	2,338,606
	B) Special Deductions	
7		0
8		0
9	**Total** *(Sum of Items 5 to 8)*	3,269,617
10	**Net Taxable Income (Loss)** *(Item 4 Less Item 9)*	(7,020,706)

Annual Income Tax Return Page 7 - Schedules 10 & 11	BIR Form No. **1702-RT** June 2013	1702-RT06/13P7

Taxpayer Identification Number (TIN)	Registered Name
002 - 834 - 075 - 000	APC GROUP,INC.

Schedule 10 - BALANCE SHEET

Assets	
1 Current Assets	22,287,054
2 Long-Term Investment	258,526,197
3 Property, Plant and Equipment - Net	34,712
4 Long-Term Receivables	0
5 Intangible Assets	0
6 Other Assets	7,044,874
7 Total Assets *(Sum of Items 1 to 6)*	287,892,837

Liabilities and Equity	
8 Current Liabilities	105,987,598
9 Long-Term Liabilities	15,966,007
10 Deferred Credits	0
11 Other Liabilities	0
12 Total Liabilities *(Sum of Items 8 to 11)*	121,953,605
13 Capital Stock	63,880,788
14 Additional Paid-in Capital	144,295,958
15 Retained Earnings	(42,237,514)
16 Total Equity *(Sum of Items 13 to 15)*	165,939,232
17 Total Liabilities and Equity *(Sum of Items 12 & 16)*	287,892,837

Schedule 11- ☑ **Stockholders** ☐ **Partners** ☐ **Members Information** (Top 20 Stockholders, partners or Members)
(On column 3 enter the amount of capital contribution and on the last column enter the percentage this represents on the entire ownership)

REGISTERED NAME	TIN	Capital Contribution	% to Total
BELLE CORPORATION	000 - 156 - 011 - 000	35,000,000	46.64
PCD NOMINEE CORPORATION	050 - 004 - 710 - 690	23,265,082	31
DOMINION EQUITIES INC.	005 - 378 - 235 - 000	3,400,000	4.53
COMPACT HOLDINGS,. INC.	000 - 527 - 434 - 000	2,810,000	3.74
INTEGRATED HOLDINGS	003 - 931 - 507 - 000	1,800,000	2.4
ELITE HOLDINGS INC.	206 - 716 - 852 - 000	1,685,000	2.25
PARALLAX RESOURCES INC	047 - 004 - 518 - 297	1,657,223	2.21
EASTERN SECURITIES	000 - 329 - 281 - 000	800,000	1.07
EQUINOX INTL RESOURCES	004 - 672 - 012 - 000	1,000,000	1.33
RICHOLD INVESTOR CORP	004 - 672 - 012 - 000	1,000,000	1.33
GILT-ENDGED PROPERTIES	004 - 459 - 370 - 000	686,166	0.91
HEADLAND HOLDINGS CO	002 - 936 - 633 - 000	550,000	0.74
EASTERN SECURITIES D	000 - 329 - 281 - 000	238,691	0.32
LIM SIEW KIM	103 - 056 - 459 - 000	180,000	0.24
TAK CHANG INVESTMENT	467 - 056 - 459 - 000	180,000	0.24
WILLIAM V. COSCOLLUE	105 - 348 - 782 - 000	100,000	0.13
VICENTE O REYES ITF	000 - 282 - 561 - 000	83,320	0.11
DHARMALA SEC (PHILS)	002 - 805 - 894 - 000	50,500	0.07
EVELYN R. SINGSON ITF	108 - 783 - 149 - 000	69,333	0.09
OTHERS	000 - 000 - 000 - 000	557,783	0.06

Annual Income Tax Return
Page 8 - Schedules 12 & 13

BIR Form No. **1702-RT** June 2013

1702-RT06/13P8

Taxpayer Identification Number (TIN)	Registered Name
002 - 834 - 075 - 000	APC GROUP,INC.

Schedule 12 - Supplemental Information ***(Attach additional sheet/s, if necessary)***

I) Gross Income/ Receipts Subjected to Final Withholding	A) Exempt	B) Actual Amount/Fair Market Value/Net Capital Gains	C) Final Tax Withheld/Paid
1 Interests	0	1,163,764	232,752
2 Royalties	0	0	0
3 Dividends	319,476	0	0
4 Prizes and Winnings	0	0	0

II) Sale/Exchange of Real properties	A) Sale/Exchange #1	B) Sale/Exchange #2
5 Description of Property *(e.g. land, improvement, etc.)*		
6 OCT/TCT/CCT/Tax Declaration No.		
7 Certificate Authorizing Registration (CAR) No		
8 Actual Amount/Fair Market Value/Net Capital Gains		
9 Final Tax Withheld/Paid		

III) Sale/Exchange of Shares of Stock	A) Sale/Exchange #1	B) Sale/Exchange #2
10 Kind*(PS/CS)*/Stock Certificate Series No.		
11 Certificate Authorizing Registration (CAR) No.		
12 Number of Shares		
13 Date of Issue (MM/DD/YYYY)		
14 Actual Amount/Fair Market Value/Net Capital Gains		
15 Final Tax Withheld/Paid		

IV) Other Income *(Specify)*	A) Other Income #1	B) Other Income #2
16 Other Income Subject to Final Tax Under Sections 57(A)/127/others of the Tax Code, as amended *(Specify)*		
17 Actual Amount/Fair Market Value/Net Capital Gains		
18 Final Tax Withheld/Paid		

19 Total Final Tax Withheld Paid *(Sum of Items 1C to 4C, 9A, 9B, 15A, 15B, 18A & 18B)*	232,752

Schedule 13 - Gross Income/Receipts Exempt from Income Tax

1 Return of Premium *(Actual Amount/Fair Market Value)*	0

I) Personal/Real Properties Received thru Gifts, Bequests, and Devices	A) Personal/Real Properties #1	B) Personal/Real Properties #2
2 Description of Property *(e.g. land, improvement, etc.)*		
3 Modes of Transfer *(e.g Donation)*		
4 Certificate Authorizing Registration (CAR) No.		
5 Actual Amount/Fair Market Value		

II) Other Exempt Income/Receipts	A) Other Exempt Income #1	B) Other Exempt Income #2
6 Other Exempt Income/Receipts Under Sec. 32 (B) of the Tax Code, as amended *(Specify)*		
7 Actual Amount/Fair Market Value/Net Capital Gains		

8 Total Income Receipts Exempt From Income Tax *(Sum of Items 1, 5A, 5B, 7A & 7B)*	0

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

AS093-8127

Company Name

APC GROUP INC.

Principal Office (No./Street/Barangay/City/Town)Province)

G/F MYTOWN NEW YORK BLDG.,
GENERAL E. JACINTO ST. CORNER
CAPAS ST., BRGY. GUADALUPE
NUEVO, MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS		NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
apcgrpinc@gmail.com	026628888	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
592	Second Thursday of June	DECEMBER 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jackson T. Ongsip	apcgrpinc@gmail.com	8662-8888 loc. 2144	-

Contact Person's Address

G/F MyTown New York Bldg., General E. Jacinto St. corner Capas St., Brgy. Guadalupe Nuevo, Makati City

Note: In case of death, resgination or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

APC GROUP INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **APC Group, Inc.** (Parent) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

WILLY N. OCIER
Chairman of the Board

JACKSON T. ONGSIP
President and
Chief Executive Officer

IAN JASON R. AGUIRRE
Executive Vice President and
Chief Finance Officer

March 1, 2021

SUBSCRIBED AND SWORN to before me this MAR 0 1 2021 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 Expiry	Place of Issue
Willy N. Ocier	P0955319A	November 18, 2021	Manila
Jackson T. Ongsip	P4550764B	January 24, 2030	Manila
Ian Jason R. Aguirre	P3558688A	July 2, 2022	Manila

Doc. No. 332
Page No. 68
Book No. 58
Series of 2021

ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-66 until 12/31/2021
PTR No. 8531012, Jan. 4, 2021 Until Dec. 31, 2021 Makati City
Roll No. 45790 IBP Lifetime N. 04897
MCLE No VI-0016565 / Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street,
Legaspi Village, Makati City

G/F MyTown New York Bldg.
General E. Jacinto St. cor. Capas St.
Brgy. Guadalupe Nuevo, Makati City
Tel.: (632) 662-8888 loc 2101

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
APC Group, Inc.
G/F MyTown New York Bldg.
General E. Jacinto St. corner Capas St.
Brgy. Guadalupe Nuevo, Makati City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of APC Group, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2020 and 2019, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

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

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 20 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of APC Group, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Johnny F. Ang.

SYCIP GORRES VELAYO & CO.

Johnny F. Ang
Partner
CPA Certificate No. 0108257
SEC Accreditation No. 1284-AR-2 (Group A),
May 16, 2019, valid until May 15, 2022
Tax Identification No. 221-717-423
BIR Accreditation No. 08-001998-101-2018,
November 6, 2018, valid until November 5, 2021
PTR No. 8534213, January 4, 2021, Makati City

March 1, 2021

APC GROUP, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 17 and 18)	**₱16,583,369**	₱135,531,662
Receivables (Notes 5, 12, 17 and 18)	**5,687,743**	5,623,313
Other current assets	**15,942**	2,585
Total Current Assets	**22,287,054**	141,157,560
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 6, 17 and 18)	**2,829,755**	3,624,630
Investments in and advances to subsidiaries (Notes 7 and 12)	**243,648,442**	132,000,000
Property and equipment (Note 8)	**34,712**	62,234
Investment property (Notes 9 and 18)	**12,048,000**	10,028,870
Input value added tax (VAT)	**7,021,052**	6,713,361
Other noncurrent assets (Note 17)	**23,822**	23,822
Total Noncurrent Assets	**265,605,783**	152,452,917
	₱287,892,837	₱293,610,477
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 10, 17 and 18)	**₱26,008,967**	₱25,953,314
Advances from related parties (Notes 12, 17 and 18)	**79,978,631**	79,978,631
Total Current Liabilities	**105,987,598**	105,931,945
Noncurrent Liabilities		
Accrued retirement costs (Note 14)	**5,966,007**	3,441,697
Other noncurrent liabilities (Notes 7, 17 and 18)	**10,000,000**	10,000,000
Total Noncurrent Liabilities	**15,966,007**	13,441,697
Total Liabilities	**121,953,605**	119,373,642
Equity		
Capital stock (Notes 11 and 17)	**63,880,788**	6,388,078,749
Additional paid-in capital (Notes 11 and 17)	**144,295,958**	1,613,942,096
Cumulative change in fair value of financial assets at FVOCI (Note 6)	**1,981,754**	2,776,629
Remeasurement loss on defined benefit obligation (Note 14)	**(3,986,494)**	(2,237,878)
Deficit	**(10,797,554)**	(7,798,887,541)
Treasury shares - 7,606,000 shares (Note 11)	**(29,435,220)**	(29,435,220)
Total Equity	**165,939,232**	174,236,835
	₱287,892,837	₱293,610,477

See accompanying Notes to Parent Company Financial Statements.

APC GROUP, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2020	2019
REVENUE		
Interest income (Note 4)	**₱931,011**	₱4,648,565
Dividend income (Note 6)	**319,476**	319,476
	1,250,487	4,968,041
EXPENSES		
General and administrative expenses (Note 13)	**9,023,729**	10,011,483
OTHER INCOME		
Gain on change in fair value of investment property (Note 9)	**2,019,130**	–
LOSS BEFORE INCOME TAX	**(5,754,112)**	(5,043,442)
PROVISION FOR INCOME TAX (Note 15)	**–**	–
NET LOSS	**(5,754,112)**	(5,043,442)
OTHER COMPREHENSIVE LOSS		
Item not to be reclassified to profit or loss in subsequent periods -		
Change in fair value of financial assets at FVOCI (Note 6)	**(794,875)**	(1,547,491)
Remeasurement loss on defined benefit obligation (Note 14)	**(1,748,616)**	–
	(2,543,491)	(1,547,491)
TOTAL COMPREHENSIVE LOSS	**(₱8,297,603)**	(₱6,590,933)
Basic/Diluted Loss Per Common Share (Note 16)	**(₱0.000767)**	(₱0.000672)

See accompanying Notes to Parent Company Financial Statements.

APC GROUP, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Capital Stock (Note 11)	Additional Paid-in Capital (Note 11)	Cumulative Change in Fair Value of Financial Assets at FVOCI (Note 6)	Remeasurement Loss on Defined Benefit Obligation (Note 14)	Deficit	Treasury Shares (Note 11)	Total Equity
At January 1, 2020	**₱6,388,078,749**	**₱1,613,942,096**	**₱2,776,629**	**(₱2,237,878)**	**(₱7,798,887,541)**	**(₱29,435,220)**	**₱174,236,835**
Net loss	–	–	–	–	**(5,754,112)**	–	**(5,754,112)**
Other comprehensive loss	–	–	**(794,875)**	**(1,748,616)**	–	–	**(2,543,491)**
Total comprehensive loss	–	–	**(794,875)**	**(1,748,616)**	**(5,754,112)**	–	**(8,297,603)**
Equity restructuring (Note 11)	**(6,324,197,961)**	**(1,496,646,138)**	–	–	**7,793,844,099**	–	–
At December 31, 2020	**₱63,880,788**	**₱144,295,958**	**₱1,981,754**	**(₱3,986,494)**	**(₱10,797,554)**	**(₱29,435,220)**	**₱165,939,232**
At January 1, 2019	₱6,388,078,749	₱1,613,942,096	₱4,324,120	(₱2,237,878)	(₱7,793,844,099)	(₱29,435,220)	₱180,827,768
Net loss	–	–	–	–	(5,043,442)	–	(5,043,442)
Other comprehensive loss	–	–	(1,547,491)	–	–	–	(1,547,491)
Total comprehensive loss	–	–	(1,547,491)	–	(5,043,442)	–	(6,590,933)
At December 31, 2019	₱6,388,078,749	₱1,613,942,096	₱2,776,629	(₱2,237,878)	(₱7,798,887,541)	(₱29,435,220)	₱174,236,835

See accompanying Notes to Parent Company Financial Statements.

APC GROUP, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱5,754,112)**	(₱5,043,442)
Adjustments for:		
Gain on change in fair value of investment property (Note 9)	**(2,019,130)**	–
Interest income (Note 4)	**(931,011)**	(4,648,565)
Retirement costs (Note 14)	**775,694**	271,091
Dividend income (Note 6)	**(319,476)**	(319,476)
Provision of doubtful accounts (Note 7)	**(64,779)**	–
Depreciation (Notes 8 and 13)	**27,522**	15,868
Operating loss before working capital changes	**(8,285,292)**	(9,724,524)
Decrease (increase) in:		
Receivables	**(64,430)**	(498,069)
Input VAT	**(307,691)**	(237,911)
Other current assets	**(13,357)**	8,929
Increase (decrease) in:		
Trade and other payables	**55,653**	147,067
Cash used in operations	**(8,615,117)**	(10,304,508)
Interest received	**931,011**	4,664,077
Dividend received	**319,476**	319,476
Net cash used in operating activities	**(7,364,630)**	(5,320,955)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of office equipment (Note 8)	–	(62,482)
Decrease (increase) in:		
Investments in subsidiaries	**(112,813,182)**	–
Advances to subsidiaries	**1,229,519**	(1,500,000)
Decrease in other noncurrent liabilities	–	(161,959)
Net cash used in investing activities	**(111,583,663)**	(1,724,441)
CASH FLOW FROM A FINANCING ACTIVITY		
Decrease in advances from related parties (Note 19)	–	(68,750)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(118,948,293)**	(7,114,146)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**135,531,662**	142,645,808
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱16,583,369**	₱135,531,662

See accompanying Notes to Parent Company Financial Statements.

APC GROUP, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. General Information

Corporate Information
APC Group, Inc. (APC or the Parent Company or the 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 Securities and Exchange Commission (SEC) approved the change in the primary purpose of the Company to that of a holding company. The Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

The registered office address of the Company is G/F MyTown New York Bldg., General E. Jacinto St. corner Capas St., Brgy. Guadalupe Nuevo, Makati City.

The accompanying parent company financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 1, 2021.

Status of Operations
In 2005, the Company incorporated Aragorn Power and Energy Corporation (APEC), a subsidiary. APEC was established in line with the government's thrust in developing the country's energy sector. Thus, the Company will concentrate in energy resource exploration and development. The government's thrust to encourage investments in the energy sector augurs well with the Company's investment direction. Other subsidiaries are in the pre-operating stage (see Note 7).

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation
The accompanying parent company financial statements have been prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and investment property which are measured at fair value. The parent company financial statements are presented in Philippine peso (₱), which is the Company's presentation and functional currency. All values are rounded to nearest peso, except when otherwise indicated.

The parent company financial statements are prepared for submission to the Philippine SEC and the Bureau of Internal Revenue (BIR). The Company also prepares, and issues consolidated financial statements for the same period as the parent company financial statements presented in compliance with Philippine Financial Reporting Standards (PFRS). These may be obtained at G/F MyTown New York Bldg., General E. Jacinto St. corner Capas St., Brgy. Guadalupe Nuevo, Makati City.

Statement of Compliance
The accompanying parent company financial statements have been prepared in compliance with PFRSs.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Company.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Company enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;

- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The amendment is not applicable to the Company since the Company did not receive lease concessions in 2020.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Company shall also disclose information about:

  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

Current versus Noncurrent Classification

The Company presents assets and liabilities in parent company statements of financial position based on current/noncurrent classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is classified as current when it is:

- Expected to be settled in normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent.

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.

Determination of Fair Value

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 parent company 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 parent company 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 Company determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy.

The Company recognizes transfers into and transfers out of fair value hierarchy levels by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) as at the date of the event or change in circumstances that caused the transfer.

External valuers are involved for the valuation of significant assets, such as investment 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 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 the contracts and other relevant documents.

In conjunction with the external valuers, the changes in the fair value of each assets and liabilities are compared with the relevant external sources to determine whether the change is reasonable. This includes a discussion of 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.

'Day 1' Difference. When 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 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 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.

Financial Instruments - Initial Recognition and Subsequent Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortized cost or at FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

As at December 31, 2020 and 2019, the Company has no financial assets at FVOCI with recycling of cumulative gains and losses and financial assets at FVTPL.

Financial assets at amortized cost (debt instruments). This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's cash and cash equivalents, receivables and deposits (presented under "Other noncurrent assets" account) are classified under this category.

Financial assets designated at FVOCI (equity instruments). Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Company elected to classify irrevocably its investments in equity instruments under this category.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the parent company's statement of financial position) when:

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

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.

Impairment of financial assets. The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Date of Recognition of Financial Liabilities. The Company recognizes financial liabilities in the parent company statement of financial position when it becomes a party to the contractual provisions of the instrument.

Initial Recognition and Measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent Measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVTPL
- Financial liabilities at amortized cost (loans and borrowings)

As at December 31, 2020 and 2019, the Company has no financial liabilities at FVTPL.

Financial liabilities at amortized cost (Loans and borrowings). This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the profit or loss.

This category includes the Company's trade and other payables and advances from related parties.

Derecognition of Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the profit or loss.

Classification of Financial Instruments between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- 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.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The Company assesses that is has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Investments in Subsidiaries
Investments in subsidiaries are accounted for under the cost method. A subsidiary is an enterprise that is controlled by the Company. The Company controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity, generally accompanied by a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The investments in subsidiaries are carried in the parent company statement of financial position at cost, less any impairment in value. The Company recognizes income from the investments only to the extent that the Company receives distributions from accumulated profits of the subsidiaries arising after the date of acquisition.

Property and Equipment
Property and equipment are stated at cost excluding the cost of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. 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 are computed using the straight-line method over the estimated useful life of one (1) to five (5) years for office and other equipment.

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 parent company 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 method are reviewed, and adjusted if appropriate, at each financial year-end.

Investment Property
Investment property represents land measured initially at cost, including related transaction costs. Subsequent to initial recognition, investment property is 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 property are included in the parent company statement of comprehensive income in the year in which the gains or losses arise.

The standard requires all entities to measure the fair value of investment property, for the purpose of either measurement (if the entity uses the fair value model) or disclosure (if it uses the cost model). An entity is encouraged, but not required, to measure the fair value of investment property on the basis of a valuation by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

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. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property, the Company considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

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.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that an asset (property and equipment, investments in and advances to subsidiaries 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 parent company 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 parent company 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 (APIC)
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 APIC.

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 statements 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 APIC.

Deficit
The amount included in deficit includes the cumulative amount of loss, adjustments as a result of equity restructuring and reduced by dividends on capital stock.

Revenue Recognition
The Company is organized to engage in the oil and gas exploration and development in the Philippines. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements.

The Company is still in the pre-operating stage as at December 31, 2020 and 2019.

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.

Expenses
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 defined benefit liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Interest on the defined benefit liability
- Remeasurements of defined benefit liability

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

Interest on defined benefit liability is the change during the period in the defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the defined benefit liability. Interest on the defined benefit liability is recognized as expense in profit or loss.

Remeasurements comprising actuarial gains and losses (excluding interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the parent company financial statements do not differ materially from the amounts that would be determined at the reporting period.

Leases. The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as Lessee. The Company applies a single recognition and measurement approach for all leases, except for short-term leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- *Short-term Leases.* The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date or initial application of PFRS 16 and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Taxes

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

Current income tax relating to item recognized directly in equity is recognized in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax. Deferred income tax is provided using the liability method on 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, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and by the parent, venture or investor, respectively, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences the carry forward benefits of unused tax credits and any unused tax losses from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO) to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward benefits of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference 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; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in 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 as at the reporting date.

Deferred tax relating to items recognized in OCI are included in the related OCI in the statements of comprehensive income and not in profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax 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 levied by the same taxation authority.

Value Added Tax (VAT). Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as part of "Trade and other payables" account in the parent company's statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as part of "Input value added tax" account in the parent company's statements of financial position to the extent of the recoverable amount.

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

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 parent company financial statements. Post financial year-end events that are not adjusting events are disclosed in the notes to parent company financial statements when material.

Loss per Common Share
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 Accounting Estimates and Assumptions

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

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 estimates and assumptions and related impact and associated risks in its parent company financial statements.

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. The Company based its assumptions and estimates on parameters available when the parent financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change

due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Recoverability and Impairment of Nonfinancial Assets. The Company's other nonfinancial assets include input VAT, property and equipment, and investments in advances to subsidiaries. An impairment review is performed when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. The determination of the recoverable amounts of the nonfinancial assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the parent company financial statements. Future events could cause the Company to conclude that the nonfinancial assets are impaired. Any resulting impairment loss could have a material impact on the Company's financial position and financial performance.

Impairment reviews of nonfinancial assets are performed when events or changes in circumstances indicate that the carrying value may not be recoverable. This requires management to make an estimate of the expected future cash flows from the investments and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Input VAT is regularly assessed considering certain indications such as validity of the input VAT to be applied against output tax, decline in the usage of asset and significant underperformance relative to the expected historical or future operating results and significant negative industry or economic trends.

Impairment loss related to advances to subsidiaries amounted to ₱0.06 million and nil in 2020 and 2019, respectively (see Notes 7 and 13).

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

	2020	2019
Investments in and advances to subsidiaries (see Note 7)	**₱243,313,182**	₱132,000,000
Input VAT	**7,021,052**	6,713,361
Property and equipment (see Note 8)	**34,712**	62,234

Estimating Impairment of Receivables. The impairment provisions for financial assets at amortized cost are based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selected inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Provision for doubtful accounts amounted to nil and ₱0.1 million in 2020 and 2019, respectively (see Note 13). Allowance for doubtful accounts amounted to ₱32.0 million as at December 31, 2020 and 2019. The carrying values of receivables amounted to ₱5.7 million and ₱5.6 million as at December 31, 2020 and 2019, respectively (see Note 5).

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

The fair value of investment property amounted to ₱12.0 million and ₱10.0 million as at December 31, 2020 and 2019, respectively (see Note 9).

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.

Unrecognized deferred tax assets amounted to ₱19.3 million and ₱22.2 million as at December 31, 2020 and 2019, respectively (see Note 15).

Retirement Costs. The cost of the defined benefit pension plan 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 and mortality rates. 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.

Retirement costs amounted to ₱0.8 million and ₱0.3 million in 2020 and 2019, respectively. Accrued retirement costs amounted to ₱6.0 million and ₱3.4 million as at December 31, 2020 and 2019, respectively (see Note 14).

4. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand and in banks	**₱4,146,610**	₱2,517,103
Short-term investments	**12,436,759**	133,014,559
	₱16,583,369	₱135,531,662

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments are made for varying periods 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 ₱0.9 million and ₱4.6 million in 2020 and 2019, respectively.

5. Receivables

This account consists of:

	2020	2019
Accounts receivable	**₱25,511,756**	₱25,511,756
Due from related parties (see Note 12)	**12,042,554**	12,043,194
Advances to officers and employees	**119,846**	54,776
Others	**38,718**	38,718
	37,712,874	37,648,444
Less allowance for doubtful accounts	**32,025,131**	32,025,131
	₱5,687,743	₱5,623,313

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

- Accounts receivable pertain to petroleum sales that are noninterest-bearing and generally have 30-day term, which are fully covered with allowance for doubtful accounts.
- Terms and conditions of due from related parties are discussed in Note 12.
- Advances to officers and employees and other receivables are noninterest-bearing and are normally settled within a 30-day term.
- Other receivables consist of advances to contractors and suppliers.

The movement of allowance for doubtful accounts follow:

	2020	2019
Balance at beginning of year	**₱32,025,131**	₱31,905,835
Provision for doubtful accounts (see Notes 12 and 13)	–	119,296
Balance at end of year	**₱32,025,131**	₱32,025,131

6. Financial Assets at FVOCI

This account consists of investments in shares amounting to ₱2.8 million and ₱3.6 million as at December 31, 2020 and 2019, respectively.

Movements of financial assets designated at FVOCI as at December 31 are as follows:

	2020	2019
Balance at beginning of year	**₱3,624,630**	₱5,172,121
Change in fair value of financial assets at FVOCI	**(794,875)**	(1,547,491)
Balance at end of year	**₱2,829,755**	₱3,624,630

Changes in fair value of financial assets at FVOCI (presented in the equity section of the parent company statements of financial position) follow:

	2020	2019
Balance at beginning of year	**₱2,776,629**	₱4,324,120
Cumulative change in fair value of financial assets at FVOCI	**(794,875)**	(1,547,491)
Balance at end of year	**₱1,981,754**	₱2,776,629

The Company received dividend income from PLC shares amounting to ₱0.3 million in 2020 and 2019.

7. Investments in and Advances to Subsidiaries and Subscription Payable

Investments in and Advances to Subsidiaries

This account consists of the following:

	2020	2019
Investments in subsidiaries	**243,313,182**	130,500,000
Advances to subsidiaries	**335,260**	1,500,000
	243,648,442	132,000,000

Investments in subsidiaries as at December 31, 2020 and 2019 consists of the following:

		Percentage of Ownership		
Subsidiaries	Nature of Business	Direct	Indirect	Total
APEC[1]	Energy	95.6	–	95.6
PRC-Magma Energy Resources, Inc. (PRC Magma)[2,3]	Energy	–	85.0	85.0
APC Cement Corporation (APC Cement)[3]	Manufacturing	100.0	–	100.0
APC Energy Resources Inc. (APC Energy)[3]	Mining	100.0	–	100.0
APC Mining Corporation (APC Mining)[3]	Mining	83.0	–	83.0

(1) Still in the pre-operating stage
(2) A direct subsidiary of APEC
(3) Dormant Company

The movements of investments in subsidiaries are as follows:

	2020	2019
Balance at beginning of year	**₱180,248,696**	₱180,248,696
Addition	**112,813,182**	–
Balance at end of year	**293,061,878**	180,248,696
Allowance for impairment	**(49,748,696)**	(49,748,696)
	₱243,313,182	₱130,500,000

The net book value of each investment in subsidiaries as of December 31, 2020 and 2019 are as follows:

	Cost of Investment	Provision for Impairment Loss	Carrying Amount
Subsidiaries:			
APEC	₱243,313,182	₱–	₱243,313,182
APC Energy	25,000,000	25,000,000	–
APC Mining	24,748,696	24,748,696	–
	₱180,248,696	₱49,748,696	₱243,313,182

Advances to subsidiaries consists of the following:

	2020	2019
Advances to subsidiaries (see Note 12)	**₱85,833,665**	₱86,933,626
Allowance for impairment	**(85,498,405)**	(85,433,626)
	₱335,260	₱1,500,000

The movement of allowance for impairment of advances to subsidiaries is as follows:

	2020	2019
Balance at beginning of year	**₱85,433,626**	₱85,433,626
Addition (see Note 13)	**64,779**	–
	₱85,498,405	₱85,433,626

Subscription Payable

Subscriptions payable, presented as part of "Other noncurrent liabilities" account, represents unpaid subscription in APC Energy amounting to ₱10 million as at December 31, 2020 and 2019:

8. Property and Equipment

This account consists of office and other equipment:

	2020	2019
Cost		
Balance at beginning of year	**₱89,259**	₱1,614,133
Acquisitions	–	62,482
Disposals	–	(1,587,356)
Balance at end of year	**89,259**	89,259
Accumulated Depreciation and Amortization		
Balance at beginning of year	**27,025**	1,598,513
Depreciation (see Note 13)	**27,522**	15,868
Disposals	–	(1,587,356)
Balance at end of year	**54,547**	27,025
Net book value	**₱34,712**	₱62,234

There were no idle assets as at December 31, 2020 and 2019.

9. Investment Property

The movement in this account follows:

	2020	2019
Balance at beginning of year	**₱10,028,870**	₱10,028,870
Gain on change in fair value	**2,019,130**	–
Balance at end of year	**₱12,048,000**	₱10,028,870

Investment property consists of parcels of land which is being held by the Company for capital appreciation.

The fair value of the remaining investment property as at December 31, 2020 was determined by Colliers International Philippines, Inc., an independent appraiser. 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 property 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 18.

Description of valuation techniques used and key inputs to valuation on investment property 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.

<u>Market Data Approach</u>
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.

10. Trade and Other Payables

This account consists of:

	2020	2019
Trade	**₱2,440,729**	₱2,613,904
Nontrade	**20,814,242**	20,814,242
Other accruals	**2,753,996**	2,525,168
	₱26,008,967	₱25,953,314

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

- Trade payables are noninterest-bearing and are normally settled on a 30-day term.
- Nontrade payables are noninterest-bearing and payable on demand.
- Other accruals are noninterest-bearing and are normally settled within the next financial year.

11. Equity

a. Details of authorized and issued capital stock as at December 31, 2020 and 2019 follow:

December 31, 2020

	Number of Shares	Amount
Authorized:		
Preferred stock - ₱0.01 par value	6,000,000,000	₱60,000,000
Common stock - ₱0.01 par value	14,000,000,000	140,000,000
	20,000,000,000	₱200,000,000
Issued - Common shares	5,998,149,059	₱59,981,491
Subscribed - Common shares	1,513,660,938	15,136,609
	7,511,809,997	75,118,100
Less subscription receivable		11,237,312
	7,511,809,997	₱63,880,788

December 31, 2019

	Number of Shares	Amount
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
	20,000,000,000	₱20,000,000,000
Issued - Common shares	5,998,149,059	₱5,998,149,059
Subscribed - Common shares	1,513,660,938	1,513,660,938
	7,511,809,997	7,511,809,997
Less subscription receivable		1,123,731,248
	7,511,809,997	₱6,388,078,749

As at December 31, 2020 and 2019, subscription receivable amounted to ₱1,123.7 million (including amount reclassified to additional paid capital of ₱1,112.5 million in 2020).

b. As at December 21, 2020 and 2019, the Company has 7,606,000 treasury common shares with cost amounting to ₱29.4 million.

c. The cumulative, convertible preferred shares are redeemable and may be issued from time to time by the 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 Company. As at March 1, 2021, the Company's BOD has not authorized any issuance of preferred shares.

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

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

The total number of shareholders is 592 and 593 in 2020 and 2019, respectively.

On August 9, 2017, the Company's BOD approved the reduction of the par value of the Company's capital stock from ₱1 par value per share to ₱0.01 par value per share. This was approved by the Company's stockholders on September 27, 2017.

On February 20, 2020, the SEC approved the decrease in the authorized capital stock of the Company from ₱20,000.0 million divided into 14,000.0 million common shares and 6,000.0 million preferred shares with par value of ₱1 per share to ₱200.0 million divided into 14,000.0 million common shares and 6,000.0 million preferred shares both with par value of ₱0.01 per share.

On February 20, 2020, the SEC approved the equity restructuring of the Company primarily to write-off Company's deficit as of December 31, 2018 amounting to ₱7,793.8 million against the additional paid in capital of ₱7,938.1 million. Consequently, the remaining additional paid in capital of ₱144.3 million is not allowed to be applied for future losses that may be incurred by the Company without prior approval of the SEC.

e. Additional paid in capital as of December 31, 2020 and 2019 consists of the following:

	2020	2019
Subscription in excess of par value	**₱1,256,789,894**	₱1,613,942,096
Less subscription receivables	**(1,112,493,936)**	–
	₱144,295,958	₱1,613,942,096

The movement in additional paid in capital is as follows:

	2020	2019
Balance at beginning of year	**₱1,613,942,096**	₱1,613,942,096
Equity restructuring:		
Reclassification of excess in par value from capital stock	**7,436,691,897**	–
Reclassification of subscription receivables from capital stock	**(1,112,493,936)**	–
Reclassification to retained earnings	**(7,793,844,099)**	–
Balance at end of year	**₱144,295,958**	₱1,613,942,096

12. 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 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. There have been no guarantees provided or received for any related party receivables or payables and settlement occurs in cash.

The following are the related party transactions and balances, which are normally settled in cash:

Category	Year	Amount/ Volume of Transactions	Receivables/ (Payables)	Terms	Conditions
Stockholders					
Belle					
Advances received	**2020**	**₱–**	**(₱79,406,947)**	On demand;	Unsecured
	2019	–	(79,406,947)	noninterest-bearing	
Share in expenses	**2020**	**–**	**(571,684)**	On demand;	Unsecured
	2019	–	(571,684)	noninterest-bearing	
Subsidiaries					
APEC					
Advances	**2020**	**–**	**335,260**	On demand;	Unsecured; no
	2019	1,500,000	1,500,000	noninterest-bearing	impairment;
Share in expenses	**2020**	**–**	**5,529,179**	On demand;	Unsecured; no
	2019	538,634	5,529,819	noninterest-bearing	impairment
APC Energy					
Advances	**2020**	**–**	**5,184,157**	On demand;	Unsecured; with full
	2019	–	5,184,157	noninterest-bearing	impairment provision
Share in expenses	**2020**	**16,285**	**2,474,261**	On demand;	Unsecured; with full
	2019	17,511	2,457,967	noninterest-bearing	impairment provision
APC Mining					
Advances	**2020**	**–**	**76,478,123**	On demand;	Unsecured; with full
	2019	–	76,478,123	noninterest-bearing	impairment provision
Share in expenses	**2020**	**16,095**	**2,113,578**	On demand;	Unsecured; with full
	2019	17,500	2,097,483	noninterest-bearing	impairment provision
APC Cement					
Advances	**2020**	**–**	**3,771,346**	On demand;	Unsecured; with full
	2019	–	3,771,346	noninterest-bearing	impairment provision
Share in expenses	**2020**	**16,195**	**1,940,258**	On demand;	Unsecured; with full
	2019	19,710	1,924,063	noninterest- bearing	impairment provision
PRC-Magma					
Share in expenses	**2020**	**16,196**	**50,058**	On demand;	Unsecured; with full
	2019	15,401	33,862	noninterest- bearing	impairment provision
Total					
Advances from related parties	**2020**		**(79,978,631)**		
	2019		(79,978,631)		
Due from related parties (see Note 5)	**2020**		**12,042,555**		
	2019		12,043,194		
Advances to subsidiaries (see Note 7)	**2020**		**85,833,665**		
	2019		86,933,626		

Compensation and benefits of key management personnel of the Company consists of the following:

	2020	2019
Salaries and short-term employee benefits	**₱1,944,667**	₱2,304,000
Retirement costs	**345,507**	190,543
	₱2,290,174	₱2,494,543

13. General and Administrative Expenses

This account consists of:

	2020	2019
Contracted services	**₱2,705,813**	₱2,031,115
Salaries and employee benefits	**2,548,262**	4,441,494
Entertainment, amusement and recreation	**1,162,550**	1,291,736
Transportation and travel	**830,971**	975,339
Retirement costs (see Note 14)	**775,694**	271,091
Taxes and licenses	**284,712**	281,465
Dues and subscriptions	**109,198**	140,590
Provision for doubtful accounts (see Notes 5 and 7)	**64,779**	119,296
Rent	**53,571**	53,571
Depreciation (see Note 8)	**27,522**	15,868
Communication, light and water	**21,409**	22,870
Repairs and maintenance	**–**	3,700
Others	**439,248**	363,348
	₱9,023,729	₱10,011,483

14. 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.

Under the existing regulatory framework, Republic Act (RA) No. 7641, an act amending Article 287 of Presidential Decree (PD) No. 442, as amended, otherwise known as the *Labor Code of the Philippines*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The latest valuation of retirement plan was performed by E.M. Zalamea Actuarial Services, Inc., an independent actuarial as at December 31, 2020.

Changes in accrued retirement costs are as follows:

	2020	2019
Balance at beginning of year	**₱3,441,697**	₱3,170,606
Retirement costs (see Note 13):		
Current service cost	**576,420**	108,845
Interest cost	**199,274**	162,246
	775,694	271,091
Remeasurement loss in other comprehensive income:		
Actuarial changes due to experience adjustments	**823,624**	–
Actuarial changes arising from changes in financial assumptions	**924,992**	–
	1,748,616	–
	₱5,966,007	₱3,441,697

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

	2020	2019
Discount rate	**3.70%**	5.79%
Future salary increase rate	**8.00%**	8.00%

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, 2020 assuming if all other assumptions were held constant:

	Increase (Decrease)	Increase (Decrease) in accrued retirement cost
Discount rate	1.00%	(₱474,499)
	(1.00%)	544,506
Salary increase rate	1.00%	516,213
	(1.00%)	(460,797)

The following are other defined benefit plan information:

	2020	2019
A. Weighted average duration of PVDBO	**8.5 years**	7.90 years
B. Maturity analysis of undiscounted retirement benefit payments		
More than one year up to 5 years	**₱746,262**	₱517,628
More than 5 years up to 10 years	**2,452,353**	2,087,323
C. Plan membership information		
Number of active plan members	**6**	5
Average attained age	**46.7 years**	47.2 years
Average past service	**13.3 years**	11.1 years
Average future service	**10.7 years**	12.7 years

15. Income Tax

a. There were no provision for income tax in 2020 and 2019.

b. The reconciliation of benefit from income tax computed at the statutory income tax rate to provision for income tax shown in the parent company statements of comprehensive income follows:

	2020	2019
Benefit from income tax computed at statutory income tax rate	**(₱1,726,234)**	(₱1,513,033)
Increase (decrease) in income tax resulting from:		
Expired NOLCO and MCIT	**5,260,813**	5,465,296
Change in unrecognized deferred tax assets	**(2,921,893)**	(2,849,372)
Change in fair value of investment property	**(605,739)**	
Interest income already subjected to final tax	**(279,303)**	(1,394,569)
Nondeductible expenses	**368,199**	387,521
Dividend income exempt from income tax	**(95,483)**	(95,843)
Effective income tax	**₱–**	₱–

	2020	2019
NOLCO	**₱27,895,711**	₱38,408,080
Allowance for doubtful accounts	**32,025,131**	32,025,131
Accrued retirement costs	**4,217,391**	3,441,697
Change in fair value of financial assets at FVOCI	**84,921**	84,921
Excess MCIT over RCIT	**–**	890
Balance at end of year	**₱64,223,154**	₱73,960,719
Unrecognized deferred tax assets	**₱19,254,207**	₱22,176,100

Deferred tax assets were not recognized as at December 31, 2020 and 2019 as management believes it is not probable that future taxable profits will be sufficient against which these can be utilized.

c. On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 implementing Section 4(b) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The movements in NOLCO and MCIT follow:

	2020	2019
NOLCO:		
Balance at beginning of year	**₱38,408,081**	₱48,057,536
Additions	**7,020,706**	8,330,074
Expirations	**(17,533,075)**	(17,979,530)
Balance at end of year	**₱27,895,711**	₱38,408,080

	2020	2019
MCIT:		
Balance at beginning of year	**₱890**	₱72,327
Expirations	**(890)**	(71,437)
Balance at end of year	**₱-**	₱890

As of December 31, 2020, the Company has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Availment period	Amount	NOLCO expired	NOLCO unapplied
2017	2018-2020	₱17,533,075	(₱17,533,075)	₱–
2018	2019-2021	12,544,931	–	12,544,931
2019	2020-2022	8,330,074	–	8,330,074
		₱38,408,080	(₱17,533,075)	₱20,875,005

As of December 31, 2020, the Company has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment period	Amount	NOLCO expired	NOLCO unapplied
2020	2021-2025	₱7,020,706	₱–	₱7,020,706

d. Corporate Recovery and Tax Incentive for Enterprise Act (CREATE)

In February 2021, the Bicameral Conference Committee of both the Senate and the Congress have ratified the Bicameral Committee's version of the proposed "Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act", which seeks to reduce the corporate income tax rate and rationalize the current fiscal incentives by making them time-bound, targeted and performance-based. Once the approved bill is submitted to the Office of the President for approval, the President can either approve or veto the fully enrolled bill; or approve or veto only certain provisions of the bill. If the bill is approved or the 30-day time period for the Office of the President to veto the bill has lapsed, the bill will then be enacted as a law.

The key changes of the submitted CREATE bill for approval are as follows:

- Effective July 1, 2020, RCIT rate is decreased from 30% to 20% for corporations with total assets of ₱100.0 million or below and taxable income of ₱5.0 million and below. All other corporations not meeting the criteria will be subject to lowered RCIT rate of 25% from 30%.
- Effective July 1, 2020 and for a period of 3 years, MCIT rate will lowered from 2% to 1% of gross income; and
- Improperly accumulated earnings tax of 10% will be repealed.

As of March 1, 2021, the Office of the President has yet to approve or veto the enrolled bill.

The RCIT applied in the calculation of deferred income tax in the preparation of the Company's financial statements as of and for the year December 31, 2020 are based on the substantially enacted tax rates existing as of the balance sheet date which are 30% RCIT and 2% MCIT. Should the CREATE Bill be subsequently enacted as a law prior to the filing deadline of the 2020 annual income tax return on April 15, 2021 and the retrospective effectivity beginning July 1, 2020 for both RCIT and MCIT are carried in the enacted bill, the excess accrued RCIT and MCIT as of the reporting date will be considered as reversal of accrual in 2021.

16. Basic/Diluted Loss Per Common Share

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

	2020	2019
Net loss (a)	**(₱5,754,112)**	(₱5,043,442)
Weighted average number of common shares	**7,511,809,997**	7,511,809,997
Treasury shares	**(7,606,000)**	(7,606,000)
Weighted average common shares (b)	**7,504,203,997**	7,504,203,997
Basic/diluted loss per common share (a/b)	**(₱0.000767)**	(₱0.000672)

There were no dilutive potential common shares for purposes of calculation of loss per share in 2020 and 2019.

17. Financial Risk Management Objectives and Policies

The Company's principal financial liabilities comprise trade and other payables, and advances from related parties. The main purpose of these financial liabilities is to finance the Company's operations. The Company principal financial assets include cash and cash equivalents and receivables that arise directly from its operations. Other financial instruments consists of financial assets at FVOCI and deposits.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and equity price risk. The BOD and the 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 and 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 and receivables 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 as at December 31 are follows:

	2020				
	Neither Past Due nor Impaired	Past Due but not Impaired 1-60 Days	>60 Days	Impaired	Total
Cash and cash equivalents*	₱16,573,369	₱–	₱–	₱–	₱16,573,369
Receivables:					
Accounts receivable	–	–	–	25,511,756	25,511,756
Due from related parties	5,529,179	–	–	6,513,375	12,042,554
Advances to officers and employees	119,846	–	–	–	119,846
Other receivables	38,718	–	–	–	38,718
Deposits**	23,822	–	–	–	23,822
Financial assets at FVOCI	2,829,755	–	–	–	2,829,755
	₱25,114,689	₱–	₱–	₱32,025,131	₱57,139,820

**Excluding cash on hand amounting to ₱10,000*
***Presented under "Other noncurrent assets" account.*

	2019				
	Neither Past Due nor Impaired	Past Due but not Impaired 1-60 Days	>60 Days	Impaired	Total
Cash and cash equivalents*	₱135,521,662	₱–	₱–	₱–	₱135,521,662
Receivables:					
Accounts receivable	–	–	–	25,511,756	25,511,756
Due from related parties	5,529,819	–	–	6,513,375	12,043,194
Advances to officers and employees	13,000	–	41,776	–	54,776
Other receivables	38,718	–	–	–	38,718
Deposits**	23,822	–	–	–	23,822
Financial assets at FVOCI	3,624,630	–	–	–	3,624,630
	₱144,751,651	₱–	₱41,776	₱32,025,131	₱176,818,558

**Excluding cash on hand amounting to ₱10,000*
*** Presented under "Other noncurrent assets" account.*

The Company's financial assets are grouped according to stage whose description is explained as follows:

Stage 1 - Those that are considered current and up to 90 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - Those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 90 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - Those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

As at December 31, 2020, the credit quality of the Company's financial assets at amortized cost are as follows:

	2020			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Financial assets at amortized cost				
Cash and cash equivalents*	₱16,573,369	₱–	₱–	₱16,573,369
Receivables	5,687,743	–	–	5,687,743
Deposits**	23,822	–	–	23,822
Carrying amount	₱22,294,934	₱–	₱–	₱22,294,934

**Excluding cash on hand amounting to ₱10,000.*
***Presented under "Other noncurrent assets" account*

As at December 31, 2019, the credit quality of the Company's financial assets at amortized cost are as follows:

	2019			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	Lifetime ECL	Lifetime ECL	**Total**
Cash and cash equivalents*	₱135,521,662	₱–	₱–	₱135,521,662
Receivables	5,581,537	–	–	5,581,537
Deposits**	23,822	–	–	23,822
Carrying amount	₱141,127,021	₱–	₱–	₱141,127,021

Excluding cash on hand amounting to ₱10,000.
***Presented under "Other noncurrent assets" account.*

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 Company's financial assets, which are used to meet its short-term liquidity needs, include cash and cash equivalents, receivables and financial assets at FVOCI totaling ₱19.4 million and ₱144.7 million as at December 31, 2020 and 2019, respectively, which are all collectible on demand.

The tables below summarize the maturity profile of the Company's other financial liabilities based on contractual undiscounted payments as at December 31, 2020.

	2020				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Over 1 Year**	**Total**
Trade and other payables*	**₱25,945,591**	**₱–**	**₱–**	**₱–**	**₱25,945,591**
Advances from related parties	**79,978,631**	**–**	**–**	**–**	**79,978,631**
Subscriptions payable**	**–**	**–**	**–**	**10,000,000**	**10,000,000**
	₱105,924,222	**₱–**	**₱–**	**₱10,000,000**	**₱115,924,222**

Excluding statutory liabilities to the government.
***Presented as "Other noncurrent liabilities" in the parent company statement of financial position.*

	2019				
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Trade and other payables*	₱25,927,385	₱–	₱–	₱–	₱25,927,385
Advances from related parties	79,978,631	–	–	–	79,978,631
Subscriptions payable**	–	–	–	10,000,000	10,000,000
	₱105,906,016	₱–	₱–	₱10,000,000	₱115,906,016

Excluding statutory liabilities to the government.
***Presented as "Other noncurrent liabilities" in the parent company statement of financial position.*

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 ₱2.8 million and ₱3.6 million as at December 31, 2020 and 2019, respectively (see Note 6).

The effect on the parent company statements of comprehensive income or equity, depending on whether or not decline is significant and prolonged (as a result of a change in fair value of quoted equity instruments held as financial assets at FVOCI as at December 31, 2020 and 2019) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Change in Equity Price*	Effect on Equity
2020	**2%**	**₱62,883**
	(2%)	**(62,883)**
2019	4%	₱161,095
	(4%)	(161,095)

**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 from internally generated sources and noninterest-bearing advances from related parties. 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 of the Company consists of capital stock and APIC amounting to ₱178.7 million and ₱7,972.6 million, respectively, after deduction treasury shares as at December 31, 2020 and 2019.

There were no changes in the objectives, policies or procedures during the years ended December 31, 2020 and 2019.

18. Financial Assets and Liabilities

A comparison by category of the carrying values and estimated fair values of the Company's assets that are carried in the parent company financial statements as at December 31, 2020 and 2019 are as follows:

Cash and Cash Equivalents, Receivables, Trade and Other Payables, and Advances from Related Parties

Due to the short-term nature of the transactions, the carrying values approximate the fair values at reporting dates.

Deposits and Subscription Payable

The carrying value of deposits (included as part of "Other noncurrent assets" account in the statements of financial position) and subscription payable approximates fair value as at December 31, 2020 and 2019 due to unavailability of information as to the repayment date that would provide a reasonable basis for the fair value measurement.

Financial Assets at FVOCI

The fair values of quoted equity securities were determined by reference to market bid quotes as of reporting dates.

The following tables provide the fair value measurement hierarchy of the Company's assets and liabilities as at December 31, 2020 and 2019:

		2020		
	Valuation Date	**Total**	**Level 1**	**Level 2**
Assets measured at fair value:				
Investment property	**December 31, 2020**	**₱12,048,000**	**₱–**	**₱12,048,000**
Financial assets at FVOCI	**December 31, 2020**	**2,829,755**	**2,829,755**	**–**
Total financial assets		**₱14,877,755**	**₱2,829,755**	**₱12,048,000**

		2019		
	Valuation Date	Total	Level 1	Level 2
Assets measured at fair value:				
Investment property	October 12, 2016	₱10,028,870	₱–	₱10,028,870
Financial assets at FVOCI	December 31, 2019	3,624,630	3,624,630	–
Total financial assets		₱13,653,500	₱3,624,630	₱10,028,870

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 year ended December 31, 2020 and 2019.

19. Changes in Liabilities Arising from Financing Activities

There are no changes in liabilities arising from financing activities in 2020. The changes in advances from related parties in 2019 is as follows:

Balance at beginning of year	₱80,047,381
Cashflows	(68,750)
Balance at end of year	₱79,978,631

20. Supplementary Information Required Under Revenue Regulations 15-2010

Below is the additional information required by Revenue Regulations (RR) 15-2010. This information is presented for purposes of filing with the Bureau of Internal Revenue (BIR) and is not a required part of the basic financial statements.

a. VAT

The Company's sales are subject to output VAT while its purchases from other VAT-registered individuals and corporations are subject to input VAT. The VAT rate is 12%.

- Input VAT for 2020:

Balance at beginning of year	₱6,713,361
Current year's purchase:	
Services lodged under other accounts	307,691
Balance at end of year	₱7,021,052

b. Other Taxes and Licenses for 2020

Taxes and licenses, local and national, include real estate taxes, licenses and permit fees.

Listing and registration fee	₱258,375
Business permits and licenses	25,337
	₱284,712

c. Withholding Taxes for 2020

	Paid	Accrued	Total
Withholding tax on compensation	₱443,199	₱36,948	₱480,147
Expanded withholding tax	95,879	3,606	99,485
	₱539,078	₱40,554	₱579,632

d. Tax Assessments and Cases

The Company has no outstanding tax cases and assessments with BIR as at December 31, 2020. Likewise, the Company has no pending tax cases outside the administration of BIR as at December 31, 2020.