From: Philippine Stock Exchange <no-reply@pse.com.ph>
Sent: Wednesday, March 1, 2023 9:06 AM
Subject: Material Information/Transactions

Dear Sir/Madam:

Your disclosure was approved as Company Announcement. Details are as follows:

Company Name: APC Group, Inc.
Reference Number: 0007185-2023
Date and Time: Wednesday, March 01, 2023 09:05 AM
Template Name: Material Information/Transactions
Report Number: C01503-2023

Best Regards,
PSE EDGE

C01503-2023

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. Date of Report (Date of earliest event reported)
   Feb 28, 2023
2. SEC Identification Number
   AS093-8127
3. BIR Tax Identification No.
   002-834-075
4. Exact name of issuer as specified in its charter
   APC Group, Inc. and Subsidiaries
5. Province, country or other jurisdiction of incorporation
   Metro Manila, Philippines.
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   G/F MyTown New York Building, General E. Jacinto corner Capas Streets, Barangay Guadalupe Nuevo, Makati City
   Postal Code
   1212
8. Issuer's telephone number, including area code
   (+632) 8662-8888
9. Former name or former address, if changed since last report
   Not applicable
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. Indicate the item numbers reported herein
    Item No. 11 (Please refer to the attached)

APC Group, Inc.
APC

PSE Disclosure Form 4-30 - Material Information/Transactions
References: SRC Rule 17 (SEC Form 17-C) and
Sections 4.1 and 4.4 of the Revised Disclosure Rules

Subject of the Disclosure
Audited Financial Statement for the period ended December 31, 2022
Background/Description of the Disclosure
In observance of best corporate governance standards and practices, we hereby submit our Audited Financial Statement for the period ended December 31, 2022.
Other Relevant Information
-

Filed on behalf by:

Name	Ian Jason Aguirre
Designation	President and CEO

COVER SHEET

AS093-8127

SEC Registration Number

APC GROUP, INC. AND SUBSIDIARIES

(Company's Full Name)

G/F, MYTOWN NEW YORK BLDG.
GEN. E. JACINTO ST. COR. CAPAS ST.
BGY. GUADALUPE NUEVO, MAKATI

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

Ian Jason R. Aguirre

(Contact Person)

(+632) 8662 8888

(Company Telephone Number)

12 31

Month *Day*

(Calendar Year)

17-C

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **February 28, 2023**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **AS093-8127**

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

4. **APC Group, Inc. and Subsidiaries**
   Exact name of issuer as specified in its charter

5. **Metro Manila, Philippines**.
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

7. **G/F MyTown New York Building, General E. Jacinto corner Capas Streets, Barangay Guadalupe Nuevo, Makati City** — **1212**
   Address of principal office — Postal Code

8. **(+632) 8662-8888**
   Issuer's telephone number, including area code

9. **Not applicable**
   Former name or former address, 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. Indicate the item numbers reported herein:
    Item No. 11 (Please refer to the attached)

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

APC Group, Inc. and Subsidiaries
Issuer

Ian Jason R. Aguirre
President and
Chief Executive Officer

Feb. 28, 2023
Date

APC GROUP INC.

February 28, 2023

Securities and Exchange Commission
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City

Attention : **Mr. Vicente Graciano P. Felizmenio, Jr.**
Director, Markets and Securities Regulation Department

Philippine Stock Exchange, Inc.
6/F PSE Tower, 5th Avenue corner 28th Street,
Bonifacio Global City, Taguig City

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

Subject : **Audited Financial Statement for the period ended December 31, 2022**

Gentlemen :

In observance of good corporate governance standards and practices, we hereby submit our Audited Financial Statement for the period ended December 31, 2022.

We trust you find everything in order.

Thank you.

Ian Jason R. Aguirre
President and
Chief Executive Officer

G/F MyTown New York Building
General E. Jacinto St. corner Capas St.,
Baranagay Guadalupe Nuevo, Makati City 1212
Tel.: (632) 662-8888 local 2101
Fax No.: (632) 662-8898

APC GROUP INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **APC Group, Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2022, 2021 and 2020**, 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 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.

The Board of Directors is responsible for overseeing the Group'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.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders for the years ended December 31, 2022 and 2021, have audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Willy N. Ocier
Chairman of the Board

MARIE JOY T. CO
Treasurer and Financial Controller

IAN JASON R. AGUIRRE
President and Chief Executive Officer

February 28, 2023

SUBSCRIBED AND SWORN to before me this FEB 2 8 2023 at MAKATI CITY City, affiants who are personally known to me or identified through competent evidence of identity, to wit:

Name	Passport ID	Date of Expiry	Place of Issue
Willy N. Ocier		19 AUG 2031	DFA MANILA
Ian Jason R. Aguirre		05 MAY 2032	DFA ILOILO
Marie Joy T. Co		09 JAN 2033	DFA MANILA

DOC. NO. 155
PAGE NO. 32
BOOK NO. 71
SERIES OF 2023

ATTY. JOSHUA P. LAPUZ
Notary Public Makati City
Until Dec. 31, 2023
Appointment No. M-019-(2022-2023)
PTR No. 9563523 Jan. 3, 2023 / Makati City
IBP Lifetime No. 04897 Roll No. 45790
MCLE Compliance No. VI-0016565
G/F Fedman Bldg., 199 Salcedo St.
Legaspi Village, Makati City

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	O	9	3	8	1	2	7		

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	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
apc_governance@bellecorp.com	(02) 8662-8888 loc. 2144	+63 917-5691734

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
591	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
Ian Jason R. Aguirre	apcgrpinc@gmail.com	(02) 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 shall not excuse the corporation from liability for its deficiencies.*

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of APC Group, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

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 *Auditors' 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 the 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 as at and for the year ended December 31, 2022. 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.

<u>Assessing Recoverability of Deferred Exploration Costs</u>
As at December 31, 2022, the Group has deferred exploration costs amounting to ₱218.1 million, which represent 84.0% of the total consolidated assets. These deferred exploration costs pertain to a subsidiary, Aragorn Power and Energy Corporation (APEC)'s participating interest in Geothermal Renewable Service Contract (GRESC) and the expenditures incurred by APEC for the Kalinga-Apayao Geothermal Project (the Project).

Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, the Group is required to assess the recoverability of deferred exploration costs when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The assessment of the recoverability of deferred exploration costs is significant to our audit because of the substantial amount of the deferred exploration costs and the significant judgment, assumptions and estimates involved.

Our audit procedures included, among others, the review of the management's assessment on whether there is any indication that the deferred exploration costs may be impaired. We obtained evidence that the Group has valid rights to the Project. We examined agreements, exploration budgets and plans to evaluate management's intention to perform further exploration and evaluation of mineral resources.

Further disclosures on the Group's deferred exploration costs are included in Notes 1, 3 and 7 to the consolidated financial statements.

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, 2022, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditors' 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 audit 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 audit, or otherwise appears to be materially misstated.

Other Matter

The consolidated financial statements of the Group as at and for the year ended December 31, 2020 were audited by another auditor whose report dated March 1, 2021, expressed an unmodified opinion on those consolidated financial statements.

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 PFRS, 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- 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 group 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 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 auditors' 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 auditors' report is Belinda B. Fernando.

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 81207-SEC Group A
Issued January 30, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-004-2022
Valid until October 16, 2025
PTR No. 9564560
Issued January 3, 2023, Makati City

February 28, 2023
Makati City, Metro Manila

APC GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	Note	2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱17,969,394**	₱13,976,898
Receivables	6	**1,618,021**	2,643,369
Prepayments		**42,412**	15,940
Total Current Assets		**19,629,827**	16,636,207
Noncurrent Assets			
Deferred exploration costs	7	**218,054,455**	218,054,455
Investment properties	8	**9,156,000**	12,048,000
Financial assets at fair value through other comprehensive income (FVOCI)	9	**3,020,525**	2,734,370
Other noncurrent assets	10	**9,769,625**	9,605,057
Total Noncurrent Assets		**240,000,605**	242,441,882
		₱259,630,432	₱259,078,089
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	**₱28,852,367**	₱28,141,965
Advances from a related party	13	**79,978,631**	79,978,631
Total Current Liabilities		**108,830,998**	108,120,596
Noncurrent Liabilities			
Retirement liability	14	**3,481,207**	3,281,654
Total Liabilities		**112,312,205**	111,402,250
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	12	**63,880,788**	63,880,788
Additional paid-in capital	12	**144,295,958**	144,295,958
Deficit		**(23,189,323)**	(22,322,828)
Treasury stock	12	**(29,435,220)**	(29,435,220)
Equity reserves		**(1,219,434)**	(1,749,327)
Total Equity Attributable to Equity Holders of the Parent Company		**154,332,769**	154,669,371
Non-controlling Interests		**(7,014,542)**	(6,993,532)
Total Equity		**147,318,227**	147,675,839
		₱259,630,432	₱259,078,089

See accompanying Notes to Consolidated Financial Statements.

APC GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(With Comparative Figures for 2020)

	Note	**2022**	2021	2020
INCOME				
Dividend	9	**₱319,476**	₱259,129	₱319,476
Interest	5	**186,082**	142,092	947,058
		505,558	401,221	1,266,534
GENERAL AND ADMINISTRATIVE EXPENSES	15	**(6,702,063)**	(8,949,492)	(9,167,147)
GAIN ON SALE OF INVESTMENT PROPERTY	8	**5,309,000**	–	–
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	8	**–**	–	2,019,130
NET LOSS		**(887,505)**	(8,548,271)	(5,881,483)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items not to be reclassified to profit or loss in subsequent periods:				
Unrealized gain (loss) on fair value changes of financial assets at FVOCI	9	**286,155**	(95,385)	(794,875)
Remeasurement gain (loss) on retirement liability	14	**243,738**	3,491,033	(1,748,616)
		529,893	3,395,648	(2,543,491)
TOTAL COMPREHENSIVE LOSS		**(₱357,612)**	(₱5,152,623)	(₱8,424,974)
Net Loss Attributable to:				
Equity holders of the Parent Company	17	**(₱866,495)**	(₱8,419,648)	(₱5,869,322)
Non-controlling interests		**(21,010)**	(128,623)	(12,161)
		(₱887,505)	(₱8,548,271)	(₱5,881,483)
Total Comprehensive Loss Attributable to:				
Equity holder of the Parent Company		**(₱336,602)**	(₱5,024,000)	(₱8,412,813)
Non-controlling interests		**(21,010)**	(128,623)	(12,161)
		(₱357,612)	(₱5,152,623)	(₱8,424,974)
Basic/Diluted Loss Per Common Share	17	**(₱0.000115)**	(₱0.001122)	(₱0.000782)

See accompanying Notes to Consolidated Financial Statements.

APC GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(With Comparative Figures for 2020)

	Note	**2022**	2021	2020
CAPITAL STOCK	12			
Balance at beginning of year		**₱63,880,788**	₱63,880,788	₱6,388,078,749
Effect of equity restructuring		**–**	–	(6,324,197,961)
Balance at end of year		**63,880,788**	63,880,788	63,880,788
ADDITIONAL PAID-IN CAPITAL	12			
Balance at beginning of year		**144,295,958**	144,295,958	1,613,942,096
Effect of equity restructuring		**–**	–	(1,469,646,138)
Balance at end of year		**144,295,958**	144,295,958	144,295,958
DEFICIT				
Balance at beginning of year		**(22,322,828)**	(13,903,180)	(7,801,877,957)
Net loss		**(866,495)**	(8,419,648)	(5,869,322)
Effect of equity restructuring	12	**–**	–	7,793,844,099
Balance at end of year		**(23,189,323)**	(22,322,828)	(13,903,180)
TREASURY STOCK				
Balance at beginning and end of year		**(29,435,220)**	(29,435,220)	(29,435,220)
EQUITY RESERVES				
Cumulative Changes in Fair Value of Financial Asset at FVOCI	9			
Balance at beginning of year		**1,886,369**	1,981,754	2,776,629
Unrealized gain (loss) on fair value changes		**286,155**	(95,385)	(794,875)
Balance at end of year		**2,172,524**	1,886,369	1,981,754
Cumulative Remeasurement Losses on Retirement Liability	14			
Balance at beginning of year		**(495,461)**	(3,986,494)	(2,237,878)
Remeasurement gain (loss)		**243,738**	3,491,033	(1,748,616)
Balance at end of year		**(251,723)**	(495,461)	(3,986,494)
Other Equity Reserve				
Balance at beginning and end of year		**(3,140,235)**	(3,140,235)	(3,140,235)
		(1,219,434)	(1,749,327)	(5,144,975)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**154,332,769**	154,669,371	159,693,371
NON-CONTROLLING INTEREST				
Balance at beginning of year		**(6,993,532)**	(6,864,909)	(6,852,748)
Net loss		**(21,010)**	(128,623)	(12,161)
Balance at end of year		**(7,014,542)**	(6,993,532)	(6,864,909)
		₱147,318,227	₱147,675,839	₱152,828,462

See accompanying Notes to Consolidated Financial Statements.

APC GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(With Comparative Figures for 2020)

	Note	**2022**	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss		**(₱887,505)**	(₱8,548,271)	(₱5,881,483)
Adjustments for:				
Gain on sale of investment property	8	**(5,309,000)**	–	–
Retirement costs	14	**443,291**	806,680	775,694
Dividend income	9	**(319,476)**	(259,129)	(319,476)
Interest income	5	**(186,082)**	(142,092)	(947,058)
Depreciation	10	**13,884**	20,828	27,522
Gain on change in fair value of investment properties	8	**–**	–	(2,019,130)
Operating loss before working capital changes		**(6,244,888)**	(8,121,984)	(8,363,931)
Decrease (increase) in:				
Receivables		**1,025,348**	1,058,904	(2,117,079)
Input VAT		**(178,452)**	(285,218)	(319,245)
Prepayments		**(26,472)**	–	(13,354)
Increase (decrease) in trade and other payables		**710,402**	(510,879)	25,043
Net cash used for operations		**(4,714,062)**	(7,859,177)	(10,788,566)
Dividend received		**319,476**	259,129	319,476
Interest received		**186,082**	142,092	947,058
Net cash used in operating activities		**(4,208,504)**	(7,457,956)	(9,522,032)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investment property	8	**8,201,000**	–	–
Additions to deferred exploration costs		**–**	(40,955)	(106,493,499)
Net cash provided by (used in) investing activities		**8,201,000**	(40,955)	(106,493,499)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**3,992,496**	(7,498,911)	(116,015,531)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**13,976,898**	21,475,809	137,491,340
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱17,969,394**	₱13,976,898	₱21,475,809

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(With Comparative Information for 2020)

1. **General Information**

Corporate Information

APC Group, Inc. (the Parent Company or APC) and subsidiaries (the Group) were incorporated in the Philippines and are registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company was incorporated on October 15, 1993 and was originally organized to engage in the oil and gas exploration and development.

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 Parent Company has the following subsidiaries:

		Percentage of Ownership					
	Nature of	**2022**			2021		
Subsidiaries	Business	**Direct**	**Indirect**	**Total**	Direct	Indirect	Total
Aragorn Power and Energy Corporation (APEC)	Energy	**97.6**	**–**	**97.6**	97.6	–	97.6
APC Energy Resources, Inc. (APC Energy)	Mining	**100.0**	**–**	**100.0**	100.0	–	100.0
APC Mining Corporation (APC Mining)	Mining	**83.3**	**–**	**83.3**	83.3	–	83.3
APC Cement Corporation (APC Cement)	Manufacturing	**100.0**	**–**	**100.0**	100.0	–	100.0
PRC - Magma Energy Resources, Inc. (PRC-Magma)*	Energy	**–**	**85.0**	**85.0**	–	85.0	85.0

**A direct subsidiary of APEC*

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.

Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the years ended December 31, 2022 and 2021 (with comparative figures for 2020) were authorized and approved for issuance by the Board of Directors (BOD) on February 28, 2023, as reviewed and recommended for approval by the Audit Committee on the same date.

Status of Operations

APEC

APEC was established to engage in renewable energy resource exploration, development and utilization.

Kalinga Apayao Geothermal Service Project (Project)
In 2008, APEC was granted a Geothermal Service Contract (GSC) by the Republic of the Philippines, through the 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) formed a partnership with AllFirst Kalinga Ltd. (AKL, formerly Chevron Kalinga Ltd.) 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. As at December 31, 2022 and 2021, APEC and GMC each has 5% participation as provided under the FOA.

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 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 a 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. Department of Environment and Natural Resources (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. The results of the drilling still show promise, with very encouraging commercial temperatures at 568°F (298°C) despite tight permeability.

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 US$300.0 million.

On January 15, 2020, APEC contributed US$2.1 million (₱106.5 million) to AllFirst Kalinga Holdings Inc. (AKHI) equivalent to the 5% share of the US$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.

On October 13, 2020, APEC secured an extension of the GRESC exploration period from the 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 drilling of PAS-02 with commercial temperature and encouraging chemistry.

On March 12, 2021, KGP re-commenced its geology, geochemical, and geophysical surveys (3G) which ended on June 7, 2021. The 3G intended to obtain additional information supporting the results of the PAS-02 exploration well and to refine and expand the Conceptual Model to ensure soundness of the geologic targets prior to resuming drilling operations. The campaign was successfully carried out with no incidents and within the timeline planned, despite the restrictions brought about by COVID-19 pandemic and the provincial and granular lockdowns imposed in Kalinga and in Metro Manila.

After the evaluation and study, the results of the 3G established the presence of multiple independent systems within the KGP prospect. Three potentially exploitable systems have been discovered located in the areas of Liwang, Caigutan, and Dananao. All three systems are located within the existing contract area. The KGP Conceptual Model was updated accordingly into an Integrated Resource Assessment (IRA) report and was submitted to the DOE on June 29, 2022.

On June 23, 2022, APEC secured a suspension of obligations under the GRESC recognizing the COVID-19 restrictions and the typhoons and landslides/rockslides incidents that occurred throughout 2020 as force majeure. Effectively, the suspension allows for consideration of the impacted days to be added to the GRESC exploration period moving the end date from October 12, 2022 to May 28, 2023.

On January 26, 2023, APEC secured from DOE its acknowledgement of the proposal for application for New Investment on the newly discovered potentially exploitable systems of Caigutan and Dananao as stated in the submitted and received IRA report. DOE provided guidance on proceeding with the New Investment and awarding of the new systems their own GRESC as Southwest Kalinga Geothermal Power Project (SW KGPP).

KGP also continues its operations and has maintained full engagement with the host LGUs and Communities. As at February 28, 2023, 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. Most community projects completed include farm-to-market roads, barangay/tribal halls, chapels/churches, water works, drainage canals, rehabilitation of CIS, bridges, acquisition of backhoe, clinic, and ambulance. KGP has also provided various assistance to the community since the start of the COVID-19 pandemic such as provision of food packs, PPEs, antigen test kits, oxygen tanks, and vaccines.

KGP continues to provide scholarship grants and educational assistance to deserving youths from the eight (8) ancestral domains within its contract area. As at school year 2021-2022, KGP has already extended scholarships to 380 grantees and has produced 297 graduates in various courses, which includes 54 licensed professionals, scholarship accounts for 27% of CD Projects Expenditures. Five (5) scholar graduates in engineering and geology have been hired for the Project.

With the newly discovered potential systems, the KGP intends to continue exploration activities, exploring the South West areas under the SW KGPP GRESC upon awarding through further 3G surveys and eventual exploratory and appraisal drilling planning. Meanwhile, in anticipation of existing KGP GRESC exploration period ending May 28, 2023, an extension will be sought to support the continuation of exploration activities and eventual resumption of drilling operations within the existing and remaining contract area. As at report date, APEC is in the process of completing the necessary documents for the facilitation of the New Investment, the awarding of the SW KGPP GRESC, and the expected renewal of the KGP GRESC.

APC Energy
APC Energy was established to engage in exploration, development and utilization of renewable energy resources. APC Energy's Coal Operating Contracts with the DOE in both Masbate and Isabela were terminated in 2013 and 2015, respectively.

APC Mining
APC Mining was organized to engage in mining, processing, manufacturing, buying and selling of all kinds of ores, metals and minerals. It was granted a mining permit for the exploration of chromite, copper and nickel deposits in Alubijid, Miami's Oriental. In 2013, APC Mining gave up its exploration permit because the area has low prospect for chromite, copper and nickel.

APC Cement
APC Cement was established to engage in the manufacture of cement. As at December 31, 2022, the Company is still in the pre-operating stage.

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. In 2010, PRC Magma was awarded a Geothermal Renewable Energy Service Contract (GRESC) for Bontoc Mainit-Sadanga in Mountain Province and Buguias-Tinoc in Benguet and Ifugao Provinces. In 2015, the service contracts were terminated due to the delays in the implementation of the approved work program and failure to make any discovery before the end of the fifth (5th) Contract Year.

As at December 31, 2022 and 2021, the Group is still evaluating new business opportunities for its non-operating subsidiaries.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

Measurement Bases

The consolidated financial statements are presented in Philippine Peso (Peso), which is the Group's functional currency. All values are rounded to the nearest Peso, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared under the historical cost basis, except for the following accounts:

- investment in equity securities and investment properties measured at fair value; and
- retirement liability measured at present value of estimated future cash outflows.

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of consideration received in exchange for incurring a liability.

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

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

The principal or the most advantageous market must be accessible to 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 best economic interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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 date.

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 asset or liability and the level of the fair value hierarchy as explained above.

Further information about the assumptions made in measuring fair value is included in Notes 8, 9 and 19 to the consolidated financial statements.

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Business Combinations - Reference to Conceptual Framework* – The amendments replaced the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or IFRIC 21, *Levies,* instead of the Conceptual Framework. The requirement will ensure that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarified that an acquirer shall not recognize contingent assets acquired in a business combination.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. There is no transition relief for first time adopters.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The ‘costs of fulfilling’ a contract comprise the ‘costs that relate directly to the contract’. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

  - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is 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 the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendment.

  - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removed from Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

The adoption of the foregoing amended PFRS did not have any material effect on the consolidated financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as applicable.

<u>Amended PFRS Issued But Not Yet Effective</u>
Relevant amended PFRS, which are not yet effective as at December 31, 2022 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PFRS 16, *Leases - Lease Liability in a Sale and Leaseback* – The amendments clarify that the liability that arises from a sale and leaseback transaction, that satisfies the requirements in PFRS 15, *Revenue from Contracts with Customers,* to be accounted for as a sale, is a lease liability to which PFRS 16 applies and give rise to a right-of-use asset. For the subsequent measurement, the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of a lease. Any gain or loss relating to the partial or full termination of the lease does not relate to the right of use retained but to the right of use terminated. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Noncurrent Liabilities with Covenants* for that period.

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

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 a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

Basis of Consolidation
The consolidated financial statements of the Group comprise the financial statements of the Parent Company and its subsidiaries. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).

When the Parent Company has less than 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 arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangement; and
- The Parent Company'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 Parent Company 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 statement of income from the date the Parent Company gains control until the date the Parent Company 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 interest having a deficit balance.

Non-controlling interest represents the portion of net results and net assets not held by the Parent Company. These are presented in the consolidated statement of financial position within equity, apart from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statement of income and consolidated statement of comprehensive income.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and losses, are eliminated.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity, if any;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of component previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

<u>Financial Assets and Liabilities</u>

Date of Recognition. Financial assets and liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to those contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

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

"Day 1" Difference. Where the transaction price in a non-active market is different from the fair value of 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 profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss 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.

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at fair value through other comprehensive income (FVOCI) and, (c) financial assets at FVPL. The classification of a financial asset largely depends on the Group's business model and its contractual cash flow characteristics. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost.

As at December 31, 2022 and 2021, the Group does not have financial assets and liabilities at FVPL.

Financial Assets at Amortized Cost. A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is 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.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Cash and cash equivalents, receivables and security deposits are classified under this category.

Financial Assets Designated at FVOCI. The Group may irrevocably designate an equity instrument that is not held for trading to be measured at FVOCI.

Financial assets at FVOCI are initially measured at fair value plus transaction costs.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the consolidated statement of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods. On disposal of these equity instruments, any cumulative valuation gains or losses will be reclassified to retained earnings.

Investment in equity securities are classified under this category.

Financial Liabilities at Amortized Cost*.* Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

Trade and other payables (excluding statutory payables) and advances from a related party are classified under this category.

Reclassification
The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

A financial asset that has been designated at FVOCI may no longer be reclassified to a different category.

Impairment of Financial Assets at Amortized Cost
The Group recognizes an allowance for expected credit loss (ECL) 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. The difference is then discounted at an approximation to the asset's original effective interest rate.

For accounts receivable, the Group has applied the simplified approach in measuring ECL. Simplified approach requires that ECL should always be based on the lifetime expected credit losses. 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 and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other financial assets at amortized cost, the Group applies the general approach in measuring the ECL. The ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information, that is available without undue cost or effort, and that is indicative of significant increases in credit risk since initial recognition.

The Group shall directly reduce the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Derecognition of Financial Assets and Liabilities

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

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

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

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

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

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

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Classification of Financial Instrument 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;
- 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.

<u>Value-Added Tax (VAT)</u>

VAT represents the net amount of VAT recoverable from or payable to the tax authorities. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from or payable to the tax authorities is presented as part of "Other current assets" or "Statutory payables" under "Trade and other payables" account in the consolidated statement of financial position.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to expense as these are consumed in operations or expire with the passage of time. Prepayments that are expected to be incurred no more than 12 months after the reporting date are classified as current assets. Otherwise these are classified as noncurrent assets.

Deferred Exploration Costs

Deferred exploration costs represent the Group's 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). Expenditures for exploration work prior to and subsequent to drilling are deferred as incurred.

This account also includes APEC's 5% Farm-out participation in the KGP.

These shall be written-off if the results of the exploration work are determined to be not commercially viable. If the results are commercially viable, the deferred expenditures and the subsequent development cost shall be capitalized and amortized from the start of commercial operations using the units-of-production method based on estimated recoverable reserves, as this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Investment Properties

Investment properties comprise of parcels of land held by the Group for capital appreciation and/or future development. These properties are not held to be used in production or sale in the ordinary course of business.

Investment properties are measured initially at cost, including related transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date as determined by independent appraisers. Gain or loss arising from changes in fair value of investment properties is included in profit or loss in the year in which it arises.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes and investment property, the Group accounts for such property in accordance with the policy on property and equipment up to the date of change in use.

Investment properties are derecognized when either these have been disposed of or when the investment properties are permanently withdrawn form use and no further economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in profit or loss in the year of retirement or disposal.

Office and Other Equipment

Office and other equipment are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value.

The initial cost of office and other equipment comprises its purchase price, including import duties and nonrefundable purchase taxes and any directly attributable costs of bringing the office and other equipment to its working condition and location for its intended use. Expenditures incurred after the Office and other equipment have been put into operations, such as repairs and maintenance, are normally charged to expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of office and other equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of office and other equipment.

Depreciation is computed using the straight-line method over one (1) to five (5) years for office and other equipment.

The estimated useful lives and depreciation and amortization methods are reviewed periodically to ensure that the periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of office and other equipment .

When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation amortization are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Fully-depreciated and amortized assets are retained as office and other equipment until these are no longer in use.

Impairment of Nonfinancial Assets

Nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group 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. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. One or more of the following facts and circumstances indicate that the Group should test exploration and evaluation assets for impairment (the list is not exhaustive):

- 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 not be recovered in full from successful development or by sale.

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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After the reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Capital Stock and Additional Paid-in Capital (APIC)

Capital stock is measured at the par value for all shares issued. Proceeds or fair value of consideration received in excess of par value are recognized as APIC. Incremental costs, net of tax, incurred that are directly attributable to the issuance of new shares are recognized in equity as a reduction from related APIC or retained earnings.

Equity Reserve

Equity reserve pertains to the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration received as a result of change in the ownership interest of a subsidiary without loss of control.

Deficit

Deficit represents the cumulative balance of the net income or loss, net of any dividend declaration.

OCI

OCI comprises of items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. The OCI of the Group represents cumulative fair value changes on financial assets at FVOCI and cumulative remeasurement losses on retirement liability.

Treasury Stock

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. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

Earnings Per Share (EPS) Attributable to the Equity Holders of the Parent

Basic EPS is computed by dividing net income for the year attributable to common shareholders by the weighted average number of common stock outstanding during the year with retroactive adjustments for any stock dividends declared and stock split.

Diluted EPS is calculated by adjusting the weighted average number of common stock outstanding to assume conversion of all dilutive potential common stock.

Where the EPS effect of potential dilutive common stock would be anti-dilutive, basic and diluted EPS are stated at the same amount.

Revenue Recognition

The Group is organized to engage in the exploration and development of renewable energy 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 not started commercial operations as at December 31, 2022.

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

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

Expense Recognition

Expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability, other than distributions to equity participants, has arisen that can be measured reliably.

General and Administrative Expenses. General and administrative expenses constitute costs of administering the business. These are expensed as incurred.

Employee Benefits

Short-term Benefits. Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

Retirement Benefit Costs. The Group has an unfunded, noncontributory defined benefit plan covering all qualified employees. The retirement liability is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs and interest costs in profit or loss.

Current service costs pertain to the increase in the present value of a defined benefit obligation resulting from employee service in the current period.

Interest on the retirement liability is the change during the period in the retirement liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the retirement liability. Interest is calculated by applying the discount rate to the retirement liability.

Remeasurements comprising actuarial gains and losses are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The present value of the defined benefit liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

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

Leases

The Group assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

a) the right to obtain substantially all of the economic benefits from the use of the identified asset; and
b) the right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term. The Group also assesses whether a contract contains a lease for each potential separate lease component.

The Group as a Lessee. At the commencement date, the Group recognizes ROU assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value, in which case the lease payments associated with those leases are recognized as an expense in profit or loss on a straight-line basis.

For leases with lease terms of 12 months or less but with an option to extend the lease, the management assesses whether there is reasonable certainty that the Group will extend the lease, by considering all relevant facts and circumstances that create an economic incentive for the lessee to extend or terminate the lease, to determine the appropriate lease term.

Income Taxes

Current Tax. Current tax is the expected tax payable on the taxable income for the year, using the tax rate enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carry forward benefits of unused tax credits from net operating loss carry-over (NOLCO) and excess of minimum corporate income taxes (MCIT) over regular corporate income tax (RCIT) to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax credits from NOLCO and excess of MCIT over RCIT 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 future 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 liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws in effect at the reporting date.

Deferred tax is recognized in profit or loss, except to the extent that it relates to items directly recognized in OCI.

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

Related Parties

A related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity, or between, and/or among the reporting entity and its key management personnel, directors or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

A related party transaction is a transfer of resources, services or obligation between a reporting entity and a related party.

A related party transaction is considered material if the transaction/s, either individually, or in aggregate over a twelve-month period with the same related party, amounts to ten percent (10%) or higher of the Group's total consolidated assets based on its latest consolidated financial statements. Details of transactions entered into by the Group with related parties are reviewed in accordance with the Group's related party transactions policy.

Segment Reporting

For management purposes, the Group's operating segments are organized and managed separately according to the nature of the services offered.

The Group's identified operating segments are consistent with the segments reported to the BOD, which is the Group's chief operating decision maker. Financial information on the operating segments are presented in Note 4.

Foreign Currency Denominated Transactions

Transactions denominated in foreign currencies are initially recorded in Philippine Peso using the exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency using the rate of exchange prevailing at the reporting date. Foreign exchange differences between the rate at transaction date and settlement date or reporting date are credited to or charged against profit or loss. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the dates of initial transactions.

Provisions and Contingencies
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.

Contingent liabilities are not recognized in the consolidated financial statements. These 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 Date
Post year-end events that provide additional information about the Group's consolidated financial position at the end of reporting year (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

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3. **Significant Judgment, Estimates and Assumption**

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgment, accounting estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. The judgment and accounting estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates. Such estimates will be adjusted accordingly when the results become determinable.

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

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

Assessing the 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 its recoverable amount. The deferred exploration costs are reassessed on a regular basis and the factors that the Group considers important which could trigger an impairment review include the following:

- 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 not be recovered in full from successful development or by sale.

As at December 31, 2022 and 2021, deferred exploration costs relating to mining rights and other exploration costs of the Group amounting to ₱111.9 million are fully provided with allowance (see Note 7).

No impairment loss was recognized in 2022, 2021 (and 2020). The carrying value of deferred exploration costs amounted to ₱218.1 million as at December 31, 2022 and 2021 (see Note 7).

Assessing the Impairment of Other Nonfinancial Assets (excluding Deferred Exploration Cost). The Group assesses impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of these assets 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.

Management has assessed that there are no indications of impairment on the other nonfinancial assets in 2022 and 2021 (and 2020).

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

	Note	**2022**	2021
Input VAT	10	**₱9,745,803**	₱9,567,351
Office and other equipment	10	**–**	13,884

Establishing Control over Subsidiaries. The Parent Company determines that it has control over its subsidiaries by considering, among others, its power over 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. The following factors are also considered:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Group’s voting rights and potential voting rights

Management has assessed that is has control over its subsidiaries as at December 31, 2022 and 2021.

Estimates and Assumptions

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

Determining the Fair Value of Investment Properties. The Group engaged an independent appraiser to determine the fair value of investment properties. The fair value of investment properties was based on an independent appraiser's report dated January 4, 2021 applying the market data approach. Management evaluated that the fair value of investment properties determined on appraisal date approximates the fair value as at the reporting date since there were no significant changes in the condition of the properties and economic environment between those dates. In market data 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.

Further information about the assumptions made in measuring the fair value of the investment properties are discussed in Notes 8 and 19 to the consolidated financial statements.

The properties pertain to parcels of land in the Municipality of Ginatilan, Cebu. The fair value of investment properties amounted to ₱9.2 million and ₱12.0 million as at December 31, 2022 and 2021, respectively (see Note 8).

Assessing the Realizability of Deferred Tax Assets. The carrying amount of deferred tax assets at each reporting date are reviewed 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 within the period allowed by the tax regulations. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenue and expenses.

The Group did not recognize deferred tax assets amounting to ₱28.2 million and ₱29.0 million as at December 31, 2022 and 2021 (see Note 16). The Group has assessed that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

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 geothermal and renewable energy, 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 for which discrete financial information is available is regularly reviewed by the Management Committee, which makes decisions and assessment of its performance.

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 with PFRS.

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

	Year Ended December 31		
	2022	2021	2020
Segment expenses	**(₱6,702,063)**	(₱8,949,492)	(₱9,167,147)
Gain on sale of investment property	**5,309,000**	–	–
Dividend income	**319,476**	259,129	319,476
Interest income	**186,082**	142,092	947,058
Gain on change in fair value of investment properties	**–**	–	2,019,130
Net loss	**(₱887,505)**	(₱8,548,271)	(₱5,881,483)
As at December 31			
Other information			
Segment assets	**₱259,630,432**	₱259,078,089	₱267,425,944
Segment liabilities	**112,312,205**	111,402,250	114,597,482
Depreciation	**13,884**	20,828	27,522

5. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand and in banks	**₱10,711,762**	₱3,403,587
Short-term investments	**7,257,632**	10,573,311
	₱17,969,394	₱13,976,898

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 ₱0.2 million and ₱0.1 million in 2022 and 2021, respectively (₱0.9 million in 2020).

6. Receivables

This account consists of:

	Note	2022	2021
Nontrade receivables	13	**₱1,490,413**	₱2,498,666
Advances to officers and employees		**38,174**	10,268
Others		**89,434**	134,435
		₱1,618,021	₱2,643,369

The above receivables are noninterest-bearing and are normally settled within a 30-day term.

No provision for ECL on receivables was recognized in 2022 and 2021 (and 2020).

7. Deferred Exploration Costs

This account consists of:

	2022	2021
Cost:		
KGP	**₱218,054,455**	₱218,054,455
Other exploration costs	**63,664,924**	63,664,924
Mining rights	**48,254,908**	48,254,908
	329,974,287	329,974,287
Allowance for impairment losses	**(111,919,832)**	(111,919,832)
Carrying amount	**₱218,054,455**	₱218,054,455

The movements of KGP are as follows:

	2022	2021
Balance at beginning of year	**₱218,054,455**	₱218,013,500
Additions	**–**	40,955
Balance at end of year	**₱218,054,455**	₱218,054,455

Deferred exploration costs relate to the Group's 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).

On January 15, 2020, APEC contributed US$2.1 million (₱106.5 million) to AKHI for a 5% share of the US$42.08 million appraisal drilling budget. There were no cash calls made in 2022 and 2021 (see Note 1). As at December 31, 2022 and 2021, total cash contributed amounted to ₱157.7 million.

The Group incurred exploration costs amounting to ₱40,955 in 2021 in connection with KGP (see Note 1).

As at December 31, 2022 and 2021, deferred exploration costs relating to mining rights and other exploration costs of the other projects of the Group were fully provided with allowance.

8. **Investment Properties**

The movement of this account follows:

	2022	2021
Balance at beginning of year	**₱12,048,000**	₱12,048,000
Sale	**(2,892,000)**	–
Balance at end of year	**₱9,156,000**	₱12,048,000

Investment properties pertain to parcels of land which are being held by the Group for capital appreciation. In 2022, the Group sold a parcel of land with a carrying amount of ₱2.9 million for ₱8.2 million resulting to a gain on sale amounting to ₱5.3 million.

No income was earned for the investment properties in 2022 and 2021 (and 2020). Real property tax paid amounted to ₱7,011 in 2022 and 2021 (₱2,585 in 2020).

The fair value of the investment properties was determined by an independent appraiser. The appraiser is an industry specialist in valuing these types of investment properties. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of investment properties and change in fair value amounting to ₱2.0 million in 2020 are determined using the market data approach by gathering available market evidences.

The latest independent appraiser's report is dated January 4, 2021. The Group has assessed that the fair value of the investment properties as at reporting date did not materially differ from the last valuation performed.

Fair value hierarchy disclosures for investment properties are provided in Note 19 to the consolidated financial statements.

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

A. 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.

B. 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.

9. Financial Assets at Fair Value Through Other Comprehensive Income

The Parent Company has 6,359,000 shares in Premium Leisure Corp. (PLC) amounting to ₱3,020,525 and ₱2,734,370 as at December 31, 2022 and 2021, respectively.

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

	2022	2021
Balance at beginning of year	**₱2,734,370**	₱2,829,755
Unrealized gain (loss)	**286,155**	(95,385)
Balance at end of year	**₱3,020,525**	₱2,734,370

The table below presents the cumulative change 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):

	2022	2021
Balance at beginning of year	**₱1,886,369**	₱1,981,754
Change in fair value	**286,155**	(95,385)
Balance at end of year	**₱2,172,524**	₱1,886,369

The Group received dividend income from PLC amounting to ₱0.3 million in 2022 and 2021 (₱0.3 million in 2020).

10. Other Noncurrent Assets

This account consists of:

	Note	**2022**	2021
Input VAT		**₱9,745,803**	₱9,567,351
Security deposits	18	**23,822**	23,822
Office and other equipment		**–**	13,884
		₱9,769,625	₱9,605,057

Office and Other Equipment

This account consists of:

	Note	2022	2021
Cost			
Balance at beginning and end of year		**₱1,676,615**	₱1,676,615
Accumulated depreciation			
Balance at beginning of year		**1,662,731**	1,641,903
Depreciation	15	**13,884**	20,828
Balance at end of year		**1,676,615**	1,662,731
Carrying amount		**₱–**	₱13,884

Fully depreciated office and other equipment with a total cost of ₱1.7 million and ₱1.6 million as at December 31, 2022 and 2021, respectively, are still being used in the operations.

11. Trade and Other Payables

This account consists of:

	2022	2021
Trade	**₱5,029,375**	₱4,996,241
Payable to third parties	**12,938,906**	13,095,193
Nontrade payables	**8,735,254**	8,735,254
Accrued expenses:		
Professional fees	**664,885**	729,905
Taxes	**492,060**	–
Others	**818,937**	385,255
Statutory payables	**24,231**	20,039
Others	**148,719**	180,078
	₱28,852,367	₱28,141,965

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.

Statutory payables include withholding taxes payable and payables to various government agencies which are normally settled within the following month.

12. **Equity**

a. Details of authorized, issued and outstanding capital stock as at December 31, 2022 and 2021 follows:

	Number of Shares	Amount
Authorized:		
Common stock - ₱0.01 par value	14,000,000,000	₱140,000,000
Preferred stock - ₱0.01 par value	6,000,000,000	60,000,000
	20,000,000,000	₱200,000,000
Common stock		
Issued	5,998,149,059	₱59,981,491
Subscribed	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
Treasury stock	(7,606,000)	(29,435,220)
Outstanding stock	7,504,203,997	₱34,445,568

b. 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. The Parent Company's BOD has not authorized any issuance of preferred shares.

c. 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
October 16, 1996	Additional subscription	1,814,700,000,000	0.01
April 30, 1997	Increase of par value	(1,980,000,000,000)	1.00
		20,000,000,000	

The total number of shareholders is 591 as at December 31, 2022 and 2021.

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 at ₱1.00 a share to ₱200.0 million divided into 14,000.0 million common shares and 6,000.0 million preferred shares both at ₱0.01 par value a share.

On February 20, 2020, the SEC approved the equity restructuring of the Parent Company primarily to write-off the Parent Company's deficit as at 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.

d. Additional paid in capital as at December 31, 2022 and 2021 consists of the following:

	Amount
Subscription in excess of par value	₱1,256,789,894
Less subscription receivable	(1,112,493,936)
	₱144,295,958

e. Pursuant to the PSE's rules on minimum public ownership, at least 10% of the issued and outstanding shares of a listed company must be owned and held by the public. As at December 31, 2022 and 2021, public ownership over the Parent Company is 51%.

13. Related Party Transactions

The Group, in its regular conduct of business, has transactions and balances with a related party. Transactions between members of the Group and the related balances are eliminated at consolidation and are no longer included in the consolidated financial statements.

The following table summarized the transactions with a related party and the outstanding balance arising from these transactions.

	Nature of Transaction	Transactions during the Year		Outstanding Balance	
		2022	2021	**2022**	2021
Nontrade receivables					
Entity under common management	Reimbursements	**₱471,194**	₱-	**₱1,490,413**	₱2,498,666
Advances from a related party					
Stockholder	Advances	**₱–**	₱–	**₱79,406,947**	₱79,406,947
	Share in expenses	**–**	–	**571,684**	571,684
				₱79,978,631	₱79,978,631

<u>Terms and Conditions of Transactions with Related Parties</u>
Outstanding balance of transactions with a related party is noninterest-bearing, unsecured, payable on demand and is normally settled in cash.

<u>Compensation of Key Management Personnel</u>
Compensation of key management personnel presented as part of "Salaries and employee benefits" under "General and administrative expenses" account in the consolidated statements of comprehensive income for the years ended December 31, 2022 and 2021 (and 2020) consist of the following:

	2022	2021	2020
Salaries and short-term employee benefits	**₱1,240,190**	₱1,529,500	₱1,944,667
Retirement costs	**123,294**	205,316	345,507
	₱1,363,484	₱1,734,816	₱2,290,174

Approval Requirements and Limits on the Amount and Extent of Related Party Transactions
All individual material related party transactions (MRPT) and those involving directors and/or officers shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the independent directors voting to approve the MRPT. In case that a majority of the independent directors' vote is not secured, the MRPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

Aggregate related party transactions within a 12-month period that meets or breaches the materiality threshold shall require the same BOD approval mentioned above.

14. Retirement Benefits

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 an independent actuary for the year ended December 31, 2022.

The components of retirement costs recognized under "General and administrative expenses" account in the consolidated statements of comprehensive income are as follows (see Note 15):

	2022	2021	2020
Current service cost	**₱299,883**	₱585,938	₱576,420
Interest cost	**143,408**	220,742	199,274
	₱443,291	₱806,680	₱775,694

Changes in present value of retirement liability are as follows:

	2022	2021
Balance at beginning of year	**₱3,281,654**	₱5,966,007
Current service cost	**299,883**	585,938
Interest cost	**143,408**	220,742
Remeasurement loss (gain) recognized in OCI:		
Changes in financial assumptions	**(246,019)**	(710,454)
Experience adjustments	**2,281**	(2,761,348)
Changes in demographic assumptions	**–**	(19,231)
Balance at end of year	**₱3,481,207**	₱3,281,654

Movements in the retirement liability are as follows:

	2022	2021
Balance at beginning of year	**₱3,281,654**	₱5,966,007
Retirement cost	**443,291**	806,680
Remeasurement gain recognized in OCI	**(243,738)**	(3,491,033)
Balance at end of year	**₱3,481,207**	₱3,281,654

The cumulative remeasurement losses recognized in OCI amounted to ₱0.3 million and ₱0.5 million as at December 31, 2022 and 2021, respectively.

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

	2022	2021
Discount rate	**6.45%**	4.37%
Future salary increase rate	**4.00%**	4.00%

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, 2022 assuming all other assumptions were held constant:

	Increase (Decrease)	Increase (decrease) in accrued retirement cost
Discount rate	1.00%	(₱113,578)
	(1.00%)	105,717
Future salary increase rate	1.00%	115,204
	(1.00%)	(109,132)

The following are other defined benefit plan information:

	2022	2021
A. Weighted average duration of present value of defined benefit obligation	**3.1 years**	4.0 years
B. Maturity analysis of undiscounted retirement benefit payments		
Within one year	**₱1,032,828**	₱946,759
More than one year up to 5 years	**3,966,698**	2,145,692
C. Plan membership information		
Number of active plan members	**4**	4
Average attained age	**55.2 years**	54.2 years
Average past service	**14.2 years**	13.2 years
Average future service	**4.8 years**	5.8 years

15. **General and Administrative Expenses**

This account consists of:

	Note	**2022**	2021	2020
Salaries and employee benefits		**₱1,240,190**	₱2,015,657	₱2,548,262
Transportation and travel		**1,068,124**	776,693	835,430
Professional fees		**932,064**	1,075,404	2,829,612
Brokerage		**900,050**	–	–
Taxes and licenses		**826,365**	1,459,076	332,280
Entertainment, amusement and recreation		**521,816**	1,066,870	1,162,550
Retirement costs	14	**443,291**	806,680	775,694
Dues and subscriptions		**367,965**	131,008	109,199
Outside services		**187,268**	113,208	104,788
Rental		**53,571**	53,571	53,571
Depreciation	10	**13,884**	20,828	27,522
Insurance		**6,726**	119,070	78,299
Filing fees		**–**	889,870	–
Others		**140,749**	421,557	309,940
		₱6,702,063	₱8,949,492	₱9,167,147

16. **Income Tax**

There was no provision for income tax in 2022 and 2021 (and 2020).

No deferred income tax assets were recognized for the following deductible temporary differences and carryforward benefits of NOLCO because management has assessed that it is not probable that there will be sufficient future taxable profit against which the deferred tax assets can be utilized.

	2022	2021	2020
Allowance for impairment of deferred exploration costs and mining rights	**₱111,919,832**	₱111,919,832	₱111,919,832
NOLCO	**19,714,258**	23,141,011	29,447,251
Accrued retirement costs	**3,481,207**	3,281,654	5,966,007
	₱135,115,297	₱138,342,497	₱147,333,090
Unrecognized deferred tax assets	**₱28,159,327**	₱28,972,613	₱44,199,927

As at December 31, 2022, the Group's unutilized NOLCO which can be carried forward and claimed as deduction against future regular taxable income are as follows:

Year Incurred	Balance at beginning of year	Incurred	Applied /Expired	Balance at end of year	Valid Until
2022	₱–	₱5,290,153	₱–	₱5,290,153	2025
2021	7,200,702	–	–	7,200,702	2026
2020	7,223,403	–	–	7,223,403	2025
2019	8,716,906	–	(8,716,906)	–	2022
	₱23,141,011	₱5,290,153	(₱8,716,906)	₱19,714,258	

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

	2022	2021	2020
Benefit from income tax computed at the statutory income tax rate	**(₱100,189)**	(₱2,126,790)	(₱1,764,445)
Change in unrecognized deferred tax assets	**(752,351)**	(15,227,314)	(3,151,512)
Effect of change in tax rates	**–**	13,816,061	–
Tax effects of:			
Expired NOLCO and MCIT	**2,175,726**	3,373,681	5,552,891
Income subjected to capital gains tax	**(1,327,250)**	–	–
Nondeductible expenses	**130,454**	264,666	348,765
Dividend income exempt from income tax	**(79,869)**	(64,782)	(95,843)
Interest income subjected to final tax	**(46,521)**	(35,522)	(284,117)
Change in fair value of investment property	**–**	–	(605,739)
Benefit from income tax computed at the effective income tax rate	**₱–**	₱–	₱–

On March 26, 2021, the Corporate Recovery and Tax Incentive for Enterprise (CREATE) Bill was approved and signed into law by the country's President. Under the CREATE Law, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three years. The changes in the income tax rates retrospectively became effective beginning July 1, 2020 but was applied in 2021.

The approval of the CREATE Bill into law and the changes in the income tax rates did not have an impact on the Group because of its taxable loss position in 2020.

The Philippine income tax rates used in preparing the consolidated financial statements is 25% and 20% as at and for the year ended December 31, 2022 and 2021 (30% as at and for the year ended December 31, 2020).

17. **Basic / Diluted Loss Per Common Share**

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

	2022	2021	2020
Net loss attributable to equity holders of the Parent Company (a)	**(₱866,495)**	(₱8,419,648)	(₱5,869,322)
Weighted average number of common shares	**7,511,809,997**	7,511,809,997	7,511,809,997
Treasury shares	**(7,606,000)**	(7,606,000)	(7,606,000)
Divided by weighted average common shares (b)	**7,504,203,997**	7,504,203,997	7,504,203,997
Basic / diluted loss per share (a/b)	**(₱0.000115)**	(₱0.001122)	(₱0.000782)

There were no dilutive potential common shares for purposes of calculation of loss per share in 2022 and 2021 (and 2020).

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

General

The Group has risk management policies that systematically view the risks that could prevent the Group from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Group's objectives are achieved. The Group's risk management takes place in the context of day-to-day operations and normal business processes such as strategic planning and business planning. It is also established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies.

Management has identified each risk and is responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the established business objectives. The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the activities of the Group.

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, security deposits, financial assets at FVOCI, trade and other payables (excluding statutory payables), and advances from a related party.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The BOD reviews and approves policies for managing these risks. These are summarized below.

Credit Risk

Credit risk is the risk that the obligations to the Group will not be repaid on time and in full as contracted, resulting in a financial loss. It is inherent to the business as potential losses may arise due to the failure of its counter parties to fulfill their obligations on maturity dates or due to adverse market conditions.

Generally, the credit risk of the Group is attributable to financial assets at amortized cost. The Group maintains credit policies and continuously monitors defaults of customers and other counter parties, identified either individually or by group, and incorporate this information into its credit risk controls. Managing credit risk has both qualitative and quantitative aspects. Credit officers must evaluate the credit quality of the counterparties and assign internal credit ratings upon this evaluation.

The Group defines credit exposure as all transactions where losses might occur due to the fact that counterparties may not fulfill their contractual payment obligations based on original contractual terms. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets. Credit risk from cash in banks is mitigated by transacting only with reputable banks duly approved by management.

Credit Quality of Financial Assets. The credit quality of financial assets is managed by the Group using internal credit ratings such as high grade, standard grade, past due but not impaired and credit impaired.

High Grade - pertains to deposits or placements to counterparties with good credit rating or bank standing. For receivables, this covers accounts of good paying counterparties, with good credit standing and are not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal.

Standard Grade - other financial assets not belonging to high quality financial assets are included in this credit rating.

Past due but not impaired - pertains to financial assets where contractual payments are past due but the Group believes that impairment is not appropriate based on the probability of collection of amounts owed to the Group.

Credit impaired - pertains to financial assets for which the Group determines that it is probable that it will not be able to collect the amount due based on the contractual terms and agreements.

The tables below summarize the analysis of the Group's financial assets as at December 31:

	2022				
	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Past due but not impaired	Credit Impaired	Total
Cash and cash equivalents*	**₱17,966,044**	**₱–**	**₱–**	**₱–**	**₱17,966,044**
Receivables:					
Nontrade receivables	**–**	**1,490,413**	**–**	**–**	**1,490,413**
Advances to officers and employees	**–**	**38,174**	**–**	**–**	**38,174**
Others	**–**	**89,434**	**–**	**–**	**89,434**
Security deposits**	**23,822**	**–**	**–**	**–**	**23,822**
Financial assets at FVOCI	**3,020,525**	**–**	**–**	**–**	**3,020,525**
	₱21,010,391	**₱1,618,021**	**₱–**	**₱–**	**₱22,628,412**

**Excluding cash on hand amounting to ₱3,350.*
***Presented under "Other noncurrent assets" account.*

	2021				
	Neither Past Due nor Impaired		Past due but		
	High Grade	Standard Grade	not impaired	Credit Impaired	Total
Cash and cash equivalents*	₱13,969,150	₱–	₱–	₱–	₱13,969,150
Receivables:					
Nontrade receivables	–	2,498,666	–	–	2,498,666
Advances to officers and employees	–	10,268	–	–	10,268
Others	–	134,435	–	–	134,435
Security deposits**	23,822	–	–	–	23,822
Financial assets at FVOCI	2,734,370	–	–	–	2,734,370
	₱16,727,342	₱2,643,369	₱–	₱–	₱19,370,711

**Excluding cash on hand amounting to ₱7,748.*
***Presented under "Other noncurrent assets" account.*

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's objectives to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Group's credit standing.

The Group seeks to manage its liquid funds through cash planning on a weekly basis. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities.

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

	2022				
	On demand	**Less than 3 months**	**3 to 12 months**	**Over 1 year**	**Total**
Trade and other payables*	**₱21,674,160**	**₱7,153,976**	**₱–**	**₱–**	**₱28,828,136**
Advances from a related party	**79,978,631**	**–**	**–**	**–**	**79,978,631**
	₱101,652,791	**₱7,153,976**	**₱–**	**₱–**	**₱108,806,767**

**Excluding statutory liabilities to the government.*

	2021				
	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
Trade and other payables*	₱21,830,447	₱6,291,479	₱–	₱–	₱28,121,926
Advances from a related party	79,978,631	–	–	–	79,978,631
	₱101,809,078	₱6,291,479	₱–	₱–	₱108,100,557

**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 ₱3.0 million and ₱2.7 million as at December 31, 2022 and 2021, respectively (see Note 9).

The Group's assessment of reasonably possible change, based on its expectations, is presented below:

	Change in Equity Price*	Effect on Equity
2022	**8%**	**₱234,472**
	(8%)	**(234,472)**
2021	13%	₱346,922
	(13%)	(346,922)

**Based on PSE market index*

19. Fair Value Measurements

The following table provides the fair value hierarchy of assets and liabilities with carrying amounts which approximate its fair value or measured at fair value:

	2022			
	Valuation Date	**Total**	**Level 1**	**Level 2**
Assets measured at fair value:				
Investment properties	**December 31, 2020**	**₱9,156,000**	**₱–**	**₱9,156,000**
Financial assets at FVOCI	**December 31, 2022**	**3,020,525**	**3,020,525**	**–**
		₱12,176,525	**₱3,020,525**	**₱9,156,000**

	2021			
	Valuation Date	Total	Level 1	Level 2
Assets measured at fair value:				
Investment properties	December 31, 2020	₱12,048,000	₱–	₱12,048,000
Financial assets at FVOCI	December 31,2021	2,734,370	2,734,370	–
		₱14,782,370	₱2,734,370	₱12,048,000

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

Security Deposits. The carrying value of security deposits does not materially differ from the fair value as at December 31, 2022 and 2021.

Investment Properties. The fair values of the investment properties were based on valuations performed by accredited independent appraisers, as discussed in Note 8.

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

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, 2022 and 2021.

20. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains strong credit rating and stable capital ratios in order to support its business and maximize shareholders' value. The Group manages its capital structure and makes adjustments to it, based on the changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to externally-imposed capital requirements.

The Group considers the equity attributable to the equity holders of the Parent Company as presented in the consolidated statements of financial position as its core capital. As at December 31, 2022 and 2021, the Group was able to meet its capital management objectives. No changes were made in the objectives, policies or processes in 2022 and 2021.

21. 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.
- 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 amounting to ₱7,436.7 million to wipe out Parent Company's deficit as at December 31, 2018 in accordance with the approval of the SEC on the Parent Company's equity restructuring.

There were no noncash activities in 2022 and 2021.

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**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
APC Group, Inc. and Subsidiaries
G/F MyTown New York Bldg.
General E. Jacinto St. cor. 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 and for the years ended December 31, 2022 and 2021 and have issued our report thereon dated February 28, 2023. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole.

The following supplementary schedules are the responsibility of the Group's management. These are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 Part II, and are not part of the basic consolidated financial statements:

- Reconciliation of Retained Earnings Available for Dividend Declaration of the Parent Company as at December 31, 2022
- Schedules required by Annex 68-J as at December 31, 2022
- Conglomerate Map as at December 31, 2022
- Schedule of Financial Soundness Indicators as at and for the years ended December 31, 2022 and 2021

The supplementary schedules have been subjected to the audit procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

The financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards and may not be comparable to similarly titled measures presented by other companies. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021.

REYES TACANDONG & CO.

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 81207-SEC Group A
Issued January 30, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-004-2022
Valid until October 16, 2025
PTR No. 9564560
Issued January 3, 2023, Makati City

February 28, 2023
Makati City, Metro Manila

APC GROUP, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS AT DECEMBER 31, 2022 and 2021

Ratio	Formula	2022	2021
Current Ratio			
	Total current assets	**₱19,629,827**	₱16,636,207
	Divided by: Total current liabilities	**108,830,998**	108,120,596
	Current Ratio	**0.18**	0.15
Acid Test Ratio			
	Total current assets	**₱19,629,827**	₱16,636,207
	Less: other current assets	**42,412**	15,940
	Quick assets	**19,587,415**	16,620,267
	Divide by: Total current liabilities	**108,830,998**	108,120,596
	Acid Test Ratio	**0.18**	0.15
Solvency Ratio			
	Net loss after depreciation and amortization	**(₱887,505)**	(₱8,548,271)
	Add: Depreciation and amortization	**13,884**	20,828
	Net loss before depreciation and amortization	**(873,621)**	(8,527,443)
	Divided by: Total liabilities	**112,312,205**	111,402,250
	Solvency Ratio	**(0.01)**	(0.08)
Asset-to-Equity Ratio			
	Total assets	**₱259,630,432**	₱259,078,089
	Divided by: Total equity	**147,318,227**	147,675,839
	Asset-to-Equity Ratio	**1.76**	1.75
Return on Equity			
	Net loss	**(₱887,505)**	(₱8,548,271)
	Divided by: Total equity	**147,318,227**	147,675,839
	Return on Equity	**(0.01)**	(0.06)
Return on Assets			
	Net loss	**(₱887,505)**	(₱8,548,271)
	Divided by: Average total assets	**259,354,261**	263,250,734
	Return on Assets	**(0.00)**	(0.03)
Debt-to-Equity Ratio			
	Total liabilities	**₱112,312,205**	₱111,402,250
	Divided by: Total equity	**147,318,227**	147,675,839
	Debt-to-Equity Ratio	**0.76**	0.75

(Forward)

Ratio	Formula	2022	2021
Interest Rate Coverage Ratio	Pretax income before interest Divided by: Interest expense	Not applicable	
	Interest Rate Coverage Ratio		
Net Profit Margin	Net income Divided by: Revenue	Not applicable	
	Net Profit Margin		

APC GROUP, INC. AND SUBSIDIARIES

SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II OF THE REVISED SRC RULE 68

DECEMBER 31, 2022

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D & F - None to report.

APC GROUP, INC. AND SUBSIDIARIES

SCHEDULE A – FINANCIAL ASSETS

DECEMBER 31, 2022

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 or accrued
Financial assets at fair value through other comprehensive income				
Premium Leisure Corp	6,359,000	₱3,025,525	₱3,025,525	₱319,476

APC GROUP, INC. AND SUBSIDIARIES

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2022

	Balance at beginning of year	Additions	Deductions		Balance at end of year		Balance at end of year
			Collections	Write off	Current	Noncurrent	
Officers and employees	₱10,268	₱38,174	₱10,268	₱–	₱38,174	₱–	₱38,174

APC GROUP, INC. AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2022

	Balance at beginning of year	Additions	Deductions		Balance at end of year		Balance at end of year
			Collections	Allowance for Doubtful Accounts	Current	Noncurrent	
Aragorn Power and Energy Corporation	₱5,529,179	₱–	(₱121,756)	₱–	₱–	₱5,407,423	₱5,407,423
APC Energy Resources, Inc.	7,687,943	–	(478,786)	(7,209,157)	–	–	–
APC Mining Corporation	78,620,626	–	(118,302)	(78,502,324)	–	–	–
APC Cement Corporation	5,740,784	6,730	–	(5,747,514)	–	–	–
PRC-Magma Energy Resources, Inc.	78,982	–	(33,862)	(45,120)	–	–	–
	₱97,657,514	₱6,730	(₱752,706)	(₱91,504,115)	₱–	₱5,407,423	₱5,407,423

APC GROUP, INC. AND SUBSIDIARIES

SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2022

	Balance at beginning of year	Additions	Deductions		Balance at end of year		Balance at end of year
			Collections	Write off	Current	Noncurrent	
Belle Corporation	₱79,978,631	₱–	₱–	₱–	₱79,978,631	₱–	₱79,978,631

APC GROUP, INC. AND SUBSIDIARIES

SCHEDULE G – CAPITAL STOCK

DECEMBER 31, 2022

				Number of shares held by		
Title of issue	**Number of shares authorized**	**Number of shares issued and outstanding as shown under the statement of financial position caption**	**Number of shares reserved for options, warrants, conversion & other rights**	**Related parties**	**Directors, officers and employees**	**Public**
Common stock	14,000,000,000	7,511,809,997*	N/A	3,665,722,334	2,938,707	3,835,542,956
Preferred stock	6,000,000,000	–	N/A	–	–	–

**Inclusive of Treasury shares - 7,606,000*

APC GROUP, INC. AND SUBSIDIARIES

PARENT COMPANY'S RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2022

	Amount
Unappropriated retained earnings (deficit) available for dividend distribution as at January 1, 2022, as restated	(₱16,739,557)
Net loss during the period closed to retained earnings	(100,825)
Net loss actually incurred during the year	(16,840,382)
Treasury shares	(29,435,220)
Total retained earnings (deficit), available for dividend declaration, ending	(₱46,275,602)

Reconciliation:	
Unappropriated retained earnings (deficit) as shown in the financial statements at end of year	(₱16,840,382)
Treasury shares	(29,435,220)
Total unappropriated retained earnings (deficit) available for dividend declaration at end of year	(₱46,275,602)

APC GROUP, INC. AND SUBSIDIARIES

CONGLOMERATE MAP

DECEMBER 31, 2022