

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

Bernard Rabanzo

(Contact Person)

846-7910

(Company Telephone Number)

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Month *Day*
(Fiscal Year)

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(Form Type)

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Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

I & VII

Amended Articles Number/Section

Total No. of Stockholders

25M

Domestic

NA

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

LCU

[illegible]

Document ID

Cashier

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2014**
2. SEC Identification Number **184228** 3. BIR Tax Identification No. **490-000-275-291**
4. Exact name of issuer as specified in its charter **MRC ALLIED, INC.**
5. **Makati City, Philippines** 6. (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
7. **5/F Eurovilla 4 Building, 853 A. Arnaiz Ave., Makati City** **1223**
Address of principal office Postal Code
8. **+632 846-7910**
Issuer's telephone number, including area code
9. **MRC ALLIED INDUSTRIES, INC.**
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
...Common Shares	8,512,658,975

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

Yes [x] No []

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

Philippine Stock Exchange

Common Shares

12. Check whether the issuer:

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

Yes [x]

No []

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

Yes [x] No []

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

The information required by this item is contained in Annex 1 of this Report

Documents Incorporated by Reference

Audited Financial Statements for the period Ended December 31, 2014
Annual Corporate Governance Report

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

MRC Allied, Inc. (MRC) or (“the Parent Company”) was incorporated in the Philippines. The Parent Company is the first publicly listed, property development firm in the Philippines which has found its niche in development of master planned, integrated residential, commercial, recreational, tourism and industrial areas within a single community or township.

Formerly operating as Makilala Rubber Corporation, (incorporated on November 20, 1990), the Parent Company’s activities had been primarily the processing and export of baled natural rubber. In 1993, new stockholder acquired the Company from Philtread Tire & Rubber Corporation and diversified it into real property development, more particularly, into township development.

On October 25, 1994, the Securities & Exchange Commission approved the change of name of Makilala Rubber Corporation to MRC Allied Industries, Inc. In 1995, MRC listed its entire 500 million shares in the Philippine Stock Exchange with an initial public offering share price of three pesos (P3.00) per share. In 1997, MRC decided to divest its rubber business to Makrubber Corporation, its wholly owned subsidiary, to focus on its core business, real property development. Makrubber stopped its operations in 2000 because of the worsening raw material supply due to the Land Reform Program and the peace and order problems in North Cotabato.

Since 2000, MRC has had minimal operations and simply continued and maintained its two eco-friendly projects: the New Cebu Township One (NCTO) of Naga, Cebu; and Amihan Woodlands Township (AWT) of Northern Leyte.

On July 21, 2008, MRC held its annual stockholders’ meeting at the Manila Polo Club for the purpose of electing the new members of its Board of Directors for the term 2008-2009. The stockholders also approved the amendments to MRC Allied Industries, Inc.’s existing Articles of Incorporation in line with the rationalization and quasi-reorganization of the Company, as follows:

- (i) Change in the corporate name from “MRC Allied Industries, Inc.” to “MRC Allied, Inc.”
- (ii) Decrease in the par value of MRC’s common shares from P1.00 per share to P0.20 per share, with the corresponding decrease in its authorized capital stock from P500 million divided into 500 million common shares with a par value of P1.00 per share to P100 million divided into 500 million common shares with a par value of P0.20 per share;
- (iii) Increase in its authorized capital stock of up to, or not exceeding P9.50 billion or 47.5 billion shares at a par value of P0.20 per share;
- (iv) Debt to equity conversion, wherein an issuance of shares from the increased of up to, or not exceeding P750 million or 37.5 billion shares out of such increase in the authorized capital stock.

The rationale behind the capital restructuring and proposed modification of the Parent Company’s issued and outstanding common shares is to reduce its outstanding deficit. On the other hand, the proposed increase in MRC’s authorized capital stock will give way to additional capital infusion by potential investors.

On 8 August 2008, the Board of Directors elected the officers of MRC Allied and its various committees namely the Audit, Nominations and Compensations Committees. During the same meeting, the Board approved the partial implementation of the increase in its authorized capital stock by P2.9 billion divided into 14.5 billion shares with par value of P0.20 per share, thus increasing its authorized capital stock from P100 million divided into 500 million shares to P3.0 billion divided into 15 billion shares with par value of P0.20 per share.

On 23 September 2008, Pacific Asia Capital Corporation (PACC) now Menlo Capital Corporation (MCC) and MRC entered into a Deed of Assignment wherein the following resolutions were made: (i) assumptions of liabilities by PACC of P328.50 million from various creditors of MRC; (ii) MRC agreed for the settlement or extinguishment by PACC of its loans from various creditors; (iii)

PACC and MRC agreed to extinguish the debt by converting it into common shares out of MRC's increased authorized capital stock of P3.0 billion' (iv) PACC shall subscribe to P725 million covering the 25% minimum subscription for the partial increase of MRC's authorized capital stock of P2.9 billion or 3.625 billion shares out of the 14.5 billion shares increase with par value of P0.20 per share; (v) PACC shall assign, convey, transfer and consider as extinguished MRC's debt in the amount of P328.50 million as partial payment for 1.642 billion shares. As a result of this agreement, PACC shall have 3.625 billion shares, or 87.88% of the outstanding capital stock of MRC, thus effectively acquiring control over MRC.

The above resolutions were subsequently approved by the Philippine Securities and Exchange Commission (SEC) on March 25, 2010.

On February 28, 2013, the stockholders approved a debt-to-equity conversion of up to P1.0 billion of previously contracted debt at P0.20 a share and the reduction in par value of shares from P0.20 to P0.10 to implement a quasi-reorganization by offsetting the resulting additional paid-in capital against the Company's deficit to improve the Company's financial position. The Company still has to file the necessary documents for the debt-to-equity conversion and the quasi-reorganization with the SEC.

On November 8, 2013, Securities & Exchange Commission approved the (1) debt-to-equity conversion payable to a stockholder amounting to P877.5 million as consideration for the issuance of 4,387,658,975 shares of stock with a par value of 0.20 per share and, (2) the Company's equity restructuring. The equity restructuring reduced the par value of shares from 0.20 to 0.10 and the resulting additional paid-in capital of P851.3 million was applied against the Company's deficit. As at December 31, 2013, the company has a positive equity of P755.4 million from a capital deficiency of P99.4 million as at December 31, 2012.

On January 14, 2014, the SEC approved the Company's further equity restructuring by applying additional paid-in capital of P106.4 million to deficit.

Business/Projects

At present, the principal asset of the Company consists of two land banks. The first is a 160 hectare industrial estate in Naga City, Cebu and the second consists of 700 hectare of raw land in San Isidro Municipality, Leyte. Located thirty five (35) kilometers away from the Mactan International Airport, the industrial estate in Naga City, known as the New Cebu Township One (NCTO), is registered with the Philippine Economic Zone Authority as a special economic zone. At present, the lead locator in the park is Kyocera, a Japanese manufacturer of ceramics. Further development is required to fully maximize the value of this property.

Also classified as a special economic zone, the Leyte Property, known as the Amihan Woodlands Township (AWT), was originally planned as an eco-tourism project, considering the more than 10 km coastline that rises to forested mountains. No major development of the property, however, has been undertaken. The Company was negatively affected by the Asian Crisis of 1997 and essentially maintained minimal operation since then.

The abundant mineral deposits and recent government pronouncements prompted MRC to pursue the opportunity for a shift in business strategy. Global trends in metal prices and the preference for gold as the stable reserve definitely add value to mining resources available worldwide. Key acquisitions by MRC over the last quarter support this strategy:

- On November 8, 2010, MRC entered into a Mines Operating Agreement with Alberto Mining ("AMC") for gold and copper covering a parcel of land with an area of 7,955.70 hectares located at Kiblawan, Davao del Sur and Columbio, Sultan Kudarat. This property is adjacent (on the northeastern boundary) to Tampakan, currently established as the 5th largest gold-copper deposit in the world and potentially the largest in Asia. The MRC Tampakan property is not covered by the ban on open-pit mining. Tampakan is covered by the open-pit ban since its southern area is in South Cotabato where open-pit mining is prohibited. MRC Tampakan Mines, Inc. will be established as the operating subsidiary.

MRC's mining engineers, in coordination with the communities' indigenous community representatives, are conducting geological exploration (March 12 to 17). Laboratory testing will be completed by month-end as MRC awaits the approval of the exploration permit to proceed and thereby complete the preliminary requirements to pave the way for eventual drilling and operations.

- On January 7, 2011, MRC Allied Inc. entered into a Mines Operating Agreement with AMC, also for gold and copper covering a parcel of land with an area 3,718.41 hectares located at the Municipality of Marihatag, Province of Surigao del Sur. This is located in the well-known gold-belt region in southern Philippines.
- On February 4, 2011, MRC entered into a Mines Operating Agreement with Pensons Mining Corporation (an affiliate of Alberto Mines) for copper and gold deposits covering a land area of 8,475 hectares in Paquibato in Mindanao. The mines are located in the mineral-rich mountains of Davao City, Davao del Norte. The Mines and Geosciences Bureau ("MGB") has been processing 11 applications with an aggregate area of 95,000 hectares in the area.
- On March 28, 2011, MRC entered into a Mines Operating Agreement for gold and copper covering a parcel of land with an area of 9,720 hectares located at the Municipalities of Boston and Cateel, Davao Oriental ("Boston-Cateel Mines"). The Agreement involves the mining rights owned by Alberto Mining Corporation, a domestic corporation based in Davao City.
- On August 25, 2011, MRC entered into a Mines Operating Agreement for gold and copper covering a parcel of land with an area of 2,059.27 hectares located at San Miguel & Marihatag, Surigao del Sur ("Surigao Mines" additional)
- On November 16, 2011, Pursuant to the Memorandum of Agreement signed with Upper San Miguel Manobo Sectoral Tribe Council, MRC or wholly owned entity will develop a gold processing facility in the Municipality of San Miguel.

BUSINESS PLANS

Real Estate

The Company has two land banks consisting of 160 hectare industrial estate in Naga City, Cebu known as the New Cebu Township One (NCTO) and 700 hectares of raw land in San Isidro Municipality, Leyte known as Amihan Woodlands Township (AWT) (see Note 7). The NCTO comprises of parcels of land that is registered with the Philippine Economic Zone Authority (PEZA). Based on the latest appraisal, the properties have a fair market value of ₱ 1.5 billion. The Company is selling portion of this properties.

Solar Power Plant

The Company plans to develop in NCTO at least 50 megawatt solar power plant that can either supply electricity to the Visayas grid and/or offer its production to large power consumers within and around Naga City, Cebu. Management is currently negotiating with several interested local and foreign entities concerning the solar project. The renewable energy venture of the Company will be subjected to the approval by the stockholders.

Mining

The Company entered into Mines Operating Agreements (MOA) for gold and copper with Alberto Mining Corporation (AMC) and Pensons Mining Corporation (PMC) (see Note 14) for the exploration and evaluation of the following mining sites:

Location	No. of Hectares
Kiblawan, Davao del Sur and Columbio, Sultan Kudarat	7,955.7
Marihatag, Surigao del Sur	3,759.3
Paquibato, Mindanao	8,475.6

Location	No. of Hectares
Boston and Cateel, Davao Oriental	4,860.0

Exploration and evaluation assets recognized in the consolidated statements of financial position amounted to nil and ₱464.3 million as at December 31, 2014 and 2013, respectively. These comprised of 600.0 million shares of consideration paid to AMC and PMC equivalent to ₱444.0 million and ₱20.0 million (see Note 14) paid for the reimbursement of costs on pre-exploration activities.

The above mining sites have an ongoing application for Exploration Permit (EP) with the Mines and Geoscience Bureau (MGB). MGB informed the Company that its application is already in the final stage and it is set to issue a memorandum advice containing the result of their evaluation of the applications. The memorandum advice and the compliance by the Company therein will lead to the issuance of the clearance for the approval of the application for EP.

The ability of the Company to continue as a going concern depends largely on its successful implementation of the above management action plan.

Major Risks Related to the Business

- The Company's profits are subject to price volatility and competition.
- The Company has had minimal operating activities and incurred losses in its recent past.
- The Company's business is subject to operational risks and the Company is not insured against all potential losses.
- Competition in the industries in which the Company is engaged in is intense.
- Additional capital may be needed for operations in the future. If the Company is unable to raise the needed financing, its operations may be adversely affected
- Inflationary pressures especially on fuel and equipment costs could adversely affect the Company's operating costs

To mitigate these risks, the Company is undertaking all cost-effective and cost-efficient means to support its operations, and to prevent incurring further losses.

Furthermore, the Company created a committee that handles risk management. This unit is tasked to review, study and propose concrete ways to manage, if not, mitigate risks relating to the business of the Company.

Advances to Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

Stockholders

The Company has significant transactions with MCC. These are summarized as follows:

- Noninterest bearing cash advances to MCC of ₱55.0 million in 2013. Outstanding balance of advances amounted to ₱33.0 million as at December 31, 2014 and 2013.
- Advances from MCC include the following:
- Interest bearing cash advances for the Company's working capital requirements and asset acquisition amounting to nil in 2014 and ₱88.6 million in 2013.
- Transfer of 300,000,000 Company shares to AMC and another 300 million Company

shares to PMC equivalent to ₱444.0 million and ₱20.0 million reimbursement of costs on pre-exploration activities as consideration under the MOAs for the acquisition of mining rights (see Notes 1 and 14).

- Management fee of nil and ₱11.9 million in 2014 and 2013, respectively.

Payables to MCC aggregating ₱106.4 million and ₱877.5 million were subject to debt-to-equity conversion in 2014 and 2013, respectively (see Note 12).

Other Related Parties

Transactions with other related parties mainly consist of the following:

- a. The Company transferred real estate projects with a carrying value of ₱278.4 million to Asian Appraisal Holdings Inc. (AAHI), a stockholder, in full settlement of obligations to AAHI amounting to ₱122.3 million in 2002. The difference between the carrying values of the obligations settled and the real estate properties transferred amounting to ₱156.1 million was recorded under "Due from related parties" account in the consolidated statements of financial position. The receivable was provided with full valuation allowance because AAHI is in financial difficulty.
- b. Air Liquide, Inc., an associate in prior years, repurchased its own shares of stock from the Company in August 2004 for a total consideration of ₱15.0 million. The proceeds were used to pay accounts payable, bank loans and related interests amounting to ₱10.1 million. The remaining amount of ₱4.9 million was advanced to Kenyon Holding Corporation (Kenyon), another related party. Noninterest-bearing cash advances to Kenyon, a company owned by certain stockholders/directors of the Company, amounted to ₱4.9 million as at December 31, 2013 and 2012, was recorded under "Due from related parties" account in the consolidated statements of financial position. The receivables were provided with full valuation allowance because the Company does not expect to collect from Kenyon.
- c. Noninterest-bearing cash advances made to officers amounted to ₱1.3 million as at December 31, 2014 and 2013, respectively.
- d. Compensation of key management personnel of the Company comprised of short-term employee benefits amounting to nil in 2014 and ₱10.0 million 2013 and 2012, respectively

In 2014, the SEC approved the debt-to equity conversion of payables to MCC in the amount of ₱106.4 millions.

Patents and Trademarks

MRC's operations are not dependents on patents, trademarks, copyrights and the like.

Cost and Effects of Existing/Probable Regulations

On September 30, 1996, the President of the Philippines issued Proclamation No. 889 designating MRC as an ecozone developer/operator of **New Cebu Township Ecozone** pursuant to Republic Act No 7916 and its implementing Rules and Regulations. On February 3, 1997, the President of the Philippines issued Proclamation No. 955 amending Proclamation No. 889, to increase area covered from 366,643 sq. m. to 1,228,261 sq. m. The President of the Philippines issued Proclamation No. 247 on February 24, 2000 proclaiming **Amihan Woodlands Township** as a Special Economic Zone pursuant to Republic Act No. 7916 as amended by Republic Act No. 8748.

Research and Development

In the last (10) eight years, MRC has not undertaken any significant research and development activities.

Government Approval of Principal Products or Services

The mining sites have an ongoing application for Exploration Permit (EP) with the Mines and Geosciences Bureau (MGB). MGB informed the Company that its application is already in the final stage and it is set to issue memorandum advice containing the result of their evaluation of the applications. The memorandum advice and the compliance by the Company will lead to the issuance of the clearance for the approval of the application of EP.

Cost and Effects of Compliance with Environmental Laws

MRC has already obtained the following environmental compliance certificates: ECC to develop and operate NCTO and to construct an administration building; and ECC for the developments of high-end residential, airstrip, and marina for AWT. Likewise, the Company had entered into a joint monitoring activity with respective local government units for NCTO and AWT to monitor environment compliance.

MRC has complied with all environmental regulatory requirements as evidenced by the permit secured from DENR. There is no material costs involved.

Competition

So far, there are five known competitors in the area, namely: Mactan Economic Zone 1 and 2, Cebu Light & Industrial Park, West Cebu Industrial Park and Danao (Mitsumi) Special Economic Zone. NCTO's unique setting, abundant water supply with much lesser rate, more stable power supply and hundreds of fiber-optic cabled high-speed voice and data telephone lines. These make NCTO a competitor to reckon with.

The MRC Tampakan project has the Sagittarius Mines, Inc. (SMI) as competitor. The Tampakan deposit is one of the largest underdeveloped copper-gold deposits in the world, and has the potential to be the largest mine in the Philippines, and the fifth largest copper mine in the world by 2016.

Customers

The Company has a wide market base due to the fact that its initial areas of operations are principally in the Central and Southern Philippines. **MRC's** township projects are strategically located in non-congested areas, near centers of educated and highly productive work force and ample sources of water and power.

Employees

As of the date of this report, the manpower complement of MRC consists of fourteen (14) personnel. These employees are not covered by a collective bargaining agreement.

There is nothing to disclose as of the date of this report regarding any supplemental benefits or incentive arrangements that MRC has or will have with its employees.

Item 2. Properties

Described below are the properties in which the Company has investments:

- a. **The New Cebu Township One (NCTO) Ecozone** – NCTO represents MRC's first major property undertaking. The township, as a master-planned by renowned Jurong Town Corporation, is envisioned to become a wholly integrated community which will contain a light industry, processing zone, residential, commercial and recreational areas. Another prominent strength of the project is well-planned provision of water and power utilities. Locators are assured of their water supply from deep wells and impounded water reservoir. The power requirements of the zone will be tapped from the Leyte and Negros Oriental geothermal plants which are the part of the Visayas power grid of the National Power Corporation.

The township project, located in the Municipality of Naga, Cebu consists of 250 hectare; 123 hectares of phase one of the NCTO while 114 hectares or more are being consolidated which will later constitute phase two of the development. Phase two will be developed mainly as an expansion of Cebu Techno Park, and low to medium end residential housing for employees in the township.

Among its major locators are Seagate Technology, Inc. of the United States, Kyocera of Japan, Air Liquide of France and AP Precisions Philippines, Inc.

The Company plans to develop in NCTO at least 50 megawatt solar power plant that can either supply electricity to the Visayas grid and/or offer its production to large power consumers within and around Naga City, Cebu. Management is currently negotiating with several interested local and foreign entities concerning the solar project. The renewable energy venture of the Company will be subjected to the approval by its stockholders.

Certain portions of the property are subject of a preliminary attachment arising from the San Gabriel Case. (Please refer to discussion under the item "Legal Proceedings")

- b. Amihan Woodlands Township (AWT)** - Located in San, Isidro, Leyte with a lot area of 732 hectares, AWT was originally planned as an eco-residential/tourism project with Ecozone status.

The open spaces and woodlands consist of the natural forest, mangrove swamps, beaches and marine preserves which will be protected sanctuaries and which will serve as the centerpoint of the property development. The residential areas for locators are divided into three districts. There will be high-end luxury residential which will be offer single-detached villas and mid-rise condominium and town-houses for transients and permanent residents and low-cost housing areas for employees of different establishments operating within the Township.

The large mixed-use areas will contain commercial, recreational and residential zones. It will allow locators and investors to establish resort facilities, hotels, and condominiums, and world class golf courses.

The industrial park will permit light industrial activities and other parallel uses. This will also be the site of the port operation facilities of the seaport and the airport. The remaining areas are reserved for infrastructure facilities and utilities which include an airport, seaport/marina, a lake/water reservoir, and road network.

Due to its present financial condition, no major development of the property has been undertaken.

As of 31 December 2010 and 2009, the carrying values of the above real estate properties/projects amounted to P606.36 million and P606.36 million. However, as determined by an internal appraiser in 2010 and a dependent firm of appraisers in 2011, the fair market value of the real estate projects is higher than the carrying amount by P1.0 billion.

c. Other Properties

On November 8, 2010, MRC entered into a Mines Operating Agreement with Alberto Mining ("AMC") for gold and copper covering a parcel of land with an area of 7,955.70 hectares located at Kiblawan, Davao del Sur and Columbio, Sultan Kudarat. This property is adjacent (on the northeastern boundary) to Tampakan, currently established as the 5th largest gold-copper deposit in the world and potentially the largest in Asia. The MRC Tampakan property is not covered by the ban on open-pit mining. Tampakan is covered by the open-pit ban since its southern area is in South Cotabato where open-pit mining is prohibited. MRC Tampakan Mines, Inc. will be established as the operating subsidiary.

The Company recently acquired a property located in Barangay Castillo, San Miguel, Surigao del Sur with a total area of 38,634 square meters where the proposed gold processing plant will be constructed.

The above mining sites have an ongoing application for Exploration Permit (EP) with the Mines and Geosciences Bureau (MGB). MGB informed the Company that its application is already in the final stage and it is set to issue memorandum advice containing the result of their evaluation of the applications. The memorandum advice and the compliance by the Company will lead to the issuance of the clearance for the approval of the application of EP.

The Company also currently leases its office space located at 5th Floor, Eurovilla 4 Building, 853 A. Arnaiz Avenue, Legaspi Village, Makati City. The office space has a total area of 208 square meters. The term of the lease was for one (1) year starting December 1, 2011 to December 1, 2012, renewable upon mutual agreement by the parties. The rent is Php 62,400 per month exclusive of twelve percent (12%) value-added taxes,

Item 3. Legal Proceedings

Sps. Japson, Sps. Vivares, MRC Allied Inc, et al. vs. Salubre
Civil Case No. CEB-224928
Regional Trial Court Branch 23, Cebu City

The Company is involved as a co-plaintiff in Civil Case No. CEB-224982, entitled Sps. Japson, Sps. Vivares and MRC Allied Industries, Inc. vs. Salubre in the latter's capacity as Provincial Treasurer for the Province of Cebu City, Branch 23. The complaint sought to stop the auction sale of the real properties of MRC scheduled on November 26, 2008 at Naga, Cebu, allegedly for nonpayment of real property tax. The Regional Trial Court did not issue a temporary restraining order, but the case is still pending. The auction did not push through, and no notice of auction sale has been sent to the Company as of this date.

The case is in the Pre-Trial Stage and has been referred to mandatory mediation proceedings before the Philippine Mediation Unit. The parties have already initially discussed on how the case can be settled amicably but no formal agreement for the purposes has been finalized.

GEMIA, Inc. vs. MRC Allied, Inc.
Reference No. 18318 CYK.
ICC International Court of Arbitration - Asia Office

The Company is a Respondent in an arbitration proceeding before the ICC International Court of Arbitration – Asia Office. The claimant is GEMIA Inc. and the proceedings were filed under Reference No. 18318 CYK.

The request for arbitration was made pursuant to the arbitration clause indicated in the Equity Line of Credit Agreement ("Agreement") executed by MRC with GEMIA Inc. and GEM Global on March 15, 2010. The claim consists of the amount of Php20,700,000 representing the Commitment Fee of the claimant, GEMIA Inc.

On August 2012, ICC International Court of Arbitration – Asia Office informed the company that the claims of GEMIA, INC. against MRC are considered withdrawn as of 22 August 2012 for GEMIA'S failure to observe Article 30 (4) of the ICC Rules.

San Gabriel Holdings Corp. et al v. MRC Allied Holdings, Inc.
and Benjamin Bitanga, Civil Case No. CEB 87433
Regional Trial Court Branch 23, Cebu City

The Company is a defendant in a civil case for rescission of contract and restitution involving the principal amount of Php 14.9 million with prayer for preliminary attachment

before the Regional Trial Court of Cebu City, Branch 23. The case was filed on February 7, 2011 by San Gabriel Holdings Corporation and Gabriel V. Leyson, and docketed as Civil Case No. 37433. Sometime in 1997, the Company's previous management entered into a contract to sell with San Gabriel Holdings. The object of the contract was a parcel of land located in San Isidro, Leyte. San Gabriel Holdings alleges that it had fully paid the purchase price and that MRC failed to comply with its corresponding obligations. San Gabriel sought to rescind the contract, recover the purchase price with damages. Consequently, San Gabriel Holdings sent a demand letter on April 6, 2000 for the delivery and execution of a deed conveying title to the property. More than 10 years later, another demand letter was sent to the new management.

MRC filed a Motion to Dismiss dated April 23, 2012 on the ground of improper service of summons and has moved to set aside the writ of preliminary attachment. The Company believes that based on the allegations of the complaint, the cause of action has already prescribed pursuant to the provisions of the Civil Code on prescription of action.

The case has been **dismissed** without prejudice for the unjustified failure of the Plaintiffs to submit a Pre-Trial Brief and for their failure to attend the Pre-Trial Hearing set for the case. The Plaintiff has filed a Motion for Reconsideration of the Dismissal of the Case. The Motion for Reconsideration is set for hearing on 26 June 2015. MRC Allied will file an opposition to the Motion.

Aside from the foregoing, there are no other pending civil, criminal or administrative cases involving the Company or any of its directors or officers, whether commenced before the concerned administrative agencies or before the regular courts as of the date of this certification.

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

February 28 2013, the annual stockholders meeting was held at Dusit Thani, Ayala Center Makati City, the following matters were likewise approved and confirmed by the majority of the stockholder's :

1. The minutes of the previous meeting of stockholders held on 5 July 2011 at the Manila Polo Club, Forbes Park, Makati City was approved and confirmed;
2. The Management Report prepared by the Board of Directors was approved and confirmed;
3. The 2011 Audited Financial Statement of the Corporation was approved and confirmed;
4. The acts, proceedings, transactions, and agreements, authorized by and entered into by the Board of Directors and Officers of the Corporation, for and in behalf of the Corporation from the last annual stockholders' meeting o date were also approved, confirmed and ratified;
5. The firm Reyes Tacandong and Company was appointed as external auditors of the Corporation;
6. Amendment of the By-Laws of the Corporation to incorporate Rule 38 of the Rules Implementing the Securities Regulation Code;
7. Approval of the debt to equity conversion in the maximum amount of Pesos: One Billion (PhP 1,000,000,000.00);
8. The reduction of par value of the shares of stock of the Corporation from .20 per share to .10 per share;
9. The following were nominated and elected as member of the Board of Directors of the Company: Benjamin M. Bitanga, Jimmy Tiu Yaokasin, Bernard B. Rabanzo, Edwin H. Monson, Benito Techico (Independent Director and Joel Muyco (Independent Director),

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

a. Market Information

MRC's common shares are traded in the Philippine Stock Exchange. The volume of its shares traded from 2010 to 2014 has been negligible due to market conditions.

The following are the highlights of trading during every quarter for the past three years where the last trading date was December 29, 2014 at P0.11.

2014	High	Low
1 st Quarter	0.09	0.09
2 nd Quarter	0.10	0.10
3 rd Quarter	0.14	0.14
4 th Quarter	0.12	0.11
2013		
1 st Quarter	0.153	0.105
2 nd Quarter	0.125	0.077
3 rd Quarter	0.11	0.086
4 th Quarter	0.81	0.071
2012	High	Low
1 st Quarter	0.31	0.22
2 nd Quarter	0.22	0.17
3 rd Quarter	0.19	0.15
4 th Quarter	0.18	0.15

b. Security Holders

The number of shareholders of record as of the date of this Report is 648 and common shares outstanding is 8,512,658,975.

MRC's Top 20 Stockholders as of December 31, 2014 are as follows:

TOP	NAME	TOTAL SHARES	PERCENTAGE
1.	Menlo Capital Corporation	4,387,673,722	51.5429
2.	PCD Nominee Corporation	4,050,350,145	45.580
3.	EMRO Holdings, Inc.	40,833,000	0.4796
4.	Philippine TA Sec., Inc.	3,750,000	0.0440
5.	Bayan Financial Brokerage	3,399,500	0.0399
6.	Lucky Securities, Inc.	1,878,000	0.0220
7.	William T. Gabaldon	1,850,000	0.0217
8.	Asian Appraisal Holdings, Inc.	1,376,000	0.0161
9.	BMB Property Holdings, Inc.	1,092,000	0.0128
10.	Quality Investment & Sec.	1,020,000	0.0119
11.	Pua Yok Bing	1,000,000	0.0117
12.	Moises Ocampo &/or Josefina	915,000	0.0107
13.	Victor G. Sy	900,000	0.0105
14.	Juancho L. Pacheco	800,000	0.0093
15.	Leoncio Tan Tiu	700,000	0.0082
16.	Winston F. Garcia	600,000	0.0070
17.	Celso L. Lobregat	500,000	0.0058
18.	Elpidio Duca	460,000	0.0054
19.	Leonardo T. Seguion-Reyna	400,000	0.0046
	Fely C. Ley	400,000	0.0046
20.	Gwendolyn Codilla	333,000	0.0039

There is no information available as of this date of this Report which relates to acquisition, business combination or other reorganization which could affect the present holdings of MRC's shareholders.

c. Dividends

No cash dividends declared on each class for the two most recent fiscal years and any subsequent interim period.

d. Recent Sales of Unregistered Securities or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

In 1995, the Company listed its entire 500 million shares in the Philippine Stock Exchange. All are fully sold and outstanding.

In October 7, 2010, the PSE approved the listing of an additional 3,121,416,747 common shares via debt to equity conversion subject to 180-day lock up period pursuant to the rules of the Exchange.

In May 23, 2012, the PSE likewise approved the listing of an additional 503,583,253 common shares as the final tranche of the debt to equity conversion.

On February 28, 2013, the stockholders approved a debt-to-equity conversion of up to P1.0 billion of previously contracted debt at P0.20 a share and the reduction in par value of shares from P0.20 to P0.10 to implement a quasi-reorganization by offsetting the resulting additional paid-in capital against the Company's deficit to improve the Company's financial position. The Company still has to file the necessary documents for the debt-to-equity conversion and the quasi-reorganization with the SEC.

On November 8, 2013, Securities & Exchange Commission approved the (1) debt-to-equity conversion payable to a stockholder amounting to P877.5 million as consideration for the issuance of 4,387,658,975 shares of stock with a par value of 0.20 per share and, (2) the Company's equity restructuring. The equity restructuring reduced the par value of shares from 0.20 to 0.10 and the resulting additional paid-in capital of P851.3 million was applied against the Company's deficit. As at December 31, 2013, the company has a positive equity of P755.4 million from a capital deficiency of P99.4 million as at December 31, 2012.

With the issuance of new shares in favor of Menlo Capital Corporation, MRC's outstanding capital stock increased to 8,512,658,975 shares.

There are no recent sales of unregistered securities or exempt transaction, neither are there recent issuances covered by rules on Exempt Transactions.

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

The following are the financial highlights of the Company and its subsidiaries for the years 2011, 2012, 2013 and 2014:

2014 -The Company's total assets is P576.85 million and Total equity is P712.66 million. Total assets increase of P5.15 million compared to last year's P571.70 million is due to advances from related parties and other current assets. Accounts Payable and other liabilities of P338.86 million went up by P41.01 million because of the advances made from related parties for the company's operation amounting to P29.31 million in 2014 from P10.16 million in 2013; and the accrual of interest on the bank loan and other payables in the amount of P261.97 million in 2013 to PP283.84 million in 2014. We recorded P1.22 million in Pension liability for 2014, thus the increase.

The Company's net loss of P42.77 million compared to the Company's net income of P152.78 million for 2013, no sale of real estate for the current year whereas last year recorded a sale of real estate project in the amount of P55.00 million; gain from conversion of debt to equity amounting to P175.50 million; gain from reversal of long outstanding payables amounting to P93.91 million and reversal of allowance for probable loss amounting to P5.61 million. Net loss for this year is attributed to the accrual of interest of loans amounting to P22.23 compared to 2013's P92.36 million and General and administrative expenses of P20.55 million as against P33.19 million of 2013. The increase in general and administrative expenses is attributed to the depreciation and amortization amounting to P6.40 million; salaries and wages of P7.94 million;

professional fee of P2.65 million and other expenses in the day to day operation of the Company.

On January 14, 2014, the Securities and Exchange Commission approved the Company's further equity restructuring by applying additional paid-in capital of P106.4 million to deficit.

2013 -Total assets is P1.061 billion and total liabilities and equity is P306.33 million and P755.44 million, respectively. Total assets went down by P42.28 million due to the sale of real estate in NCTO amounting to P55.00 million, disposal of transportation equipment and furniture and fixture in the amount of P6.1 million. Due from Related Parties increased by P6.6 million due to the day to day operations of the Company. Other current assets pertain to deposit, input VAT and other prepayments. Bank Loans increased by P128.3 thousand from P25.57 million to P25.70 million due to the recording of non current portions. Trade and Other Payables amounting to 93.9 million were reversed and gain from reversal of long outstanding trade and other payables was recognized. These payables pertain to payable to contractors, trade and non-trade suppliers. Accrued interest from due to related parties amounting to P262.3 million was part of the debt-to-equity conversion in 2013.

The 2013 Company's net income of P152.78 million as compared to P225.92 million net loss in 2012 was mainly consisting of gain from conversion of debt to equity amounting to 175.56 million, gain reversal of long outstanding payables amounting to P93.91 million, reversal of allowance for probable loss amounting to P5.61 million and the sale of real properties amount to P55.00 million. Operating expenses amounting to P33.19 million, interest and penalties on bank loans amounting to P92.36 million and mining expense amounting to P1.5 million went down compared to last year's total of P232.52 millions as compared to this year's P127.05 million. The decrease of these accounts considerably reduced the net loss of this year.

On November 8, 2013, the SEC approved the (1) debt-to-equity conversion of payable to a stockholder amounting to ₱877.5 million as consideration for the issuance of 4,387,658,975 shares of stock with a par value of ₱0.20 per share and, (2) the Company's equity restructuring. Under the equity restructuring, the Company's capital stock was reduced by reducing the par value of shares from ₱0.20 to ₱0.10 and the resulting additional paid-in capital of ₱851.3 million. This was applied against the Company's deficit.

The excess of the value of the shares issued at par value at which price the debt to equity conversion was made over the market value of the shares at the date of issuance amounting to ₱175.5 million in 2013 and ₱10.6 million in 2012, was recognized as gain from conversion of debt to equity.

The equity restructuring reduced the Company's par value and the resulting additional paid-in capital of P851.3 million was applied against the deficit. These resulted to a positive equity of P755.4 million from a capital deficiency of P99.4 million. On January 14, 2014, the SEC approved the Company's further equity restructuring by applying additional paid in capital of P281.9 million to fully wipe out the remaining deficit.

The Company is aggressively pursuing the disposal of at least 10% of its property and plans to reinvest any proceeds to improve the value of the remaining inventories to achieve high profits.

2012-The Company's total assets as of 31 December 2012 was registered at P1,104.06 million, while its total liabilities and equity amounted to P1,200.45 million and P(96.38) million, respectively. Total assets went up by P13.60 million compared to 31 December 2011 level of P1,090.45 million. The increase was brought about the acquisition of transportation equipment worth P12.33 million, additional booking of advances to employees amounting to P1.15 million. On the other hand, total liabilities increased by P145.59 million from P1,054.86 million in 2011 to P1,200.45 million in 2012. This arises from the additional advances made by the Company from Menlo Capital Corporation for its working capital expenditures and acquisition of plant and equipment and vehicles for its mining activities. Due to Related Parties decreased from P403.92 million in 2011 due to the conversion of Debt-equity made on May 24, 2012 for 503,583,253 shares at 0.20 per share. Total stockholders equity went up by (P60.79) million from P35.59 million in 31 December 2011 as against P(96.38) million in 31 December 2012 primarily due to current operating loss incurred in 2012. Operating losses include interest expense recorded on

the advances to Menlo Capital Corporation and interest on the bank loan with First Metro Investment Corporation. MRC is undergoing quasi-reorganization by reducing its par value from twenty centavos (P0.20) to ten centavos (P0.10) and another debt-to-equity conversion of about P1.0 billion for previously contracted debt with Menlo Capital Corporation. The foregoing has not yet been approved by SEC as of this Report.

In terms of profitability, MRC's net loss stood at P222.12 million in 2012 compared to P211.14 million net loss in 2011. The increase in net loss of P10.97 are primarily attributable to the Company's operating expenses particularly on the accrual of interest and penalties on the remaining loans and overhead expenses.

2011-The Company's total assets is P1,090.45 billion and total equity is P35.59 million. Total assets increase from last year's P609.35 million due to the noncurrent assets which is the exploration and evaluation of assets amounting to P464.0 million brought about by the entry of the Company into mining business. The Company entered into Mines Operating Agreements (MOA) for gold and copper with Alberto Mining Corporation and Pensons Mining Corporation for the exploration and evaluation of the following mining sites: Kiblawan, Davao del Sur and Columbio, Sultan Kudarat (7,955.70 ha); Marihatag, Surigao del Sur (3,759.30 ha); Paquibato, Mindanao (8,475.60 ha) and Boston and Cateel, Davao Oriental (4,860.0 ha). The Company have an ongoing application for Mineral Production and Sharing Agreement (MPSA) and Exploration Permit (EP) for Kiblawan and Columbio. Exploration and evaluation assets recognized in the statement of financial position amounted to P464.0 million as at December 31, 2011. Other exploration expense incurred and charged to operations amounted to P103.5 million in 2011. The movement in trade and other receivables of P110.40 thousand is from advances to officers & employees. Real Estate Projects were valued at P469.6 million and P1.71.7 billion for NCTO & AWT, respectively, based on the valuation conducted by an independent appraiser but recognized in the book at P606.35. No movement from last year. Property and Equipment increase of P14.39 million from 2010 of P2.75 million to 2011 of 17.14 million due to the purchase of transportation equipment & furniture and equipment for the mining business activities of the Company.

The Company has incurred net losses amounting to P211.1 million in 2011, 127.1 million in 2010 and P76.0 million in 2009 resulting to a deficit of P981.2 million, P770.0 million and P643.0 million as at December 31, 2011, 2010 & 2009, respectively. Trade and Other Payables in 2011 is P403.92 million compared to last year's P329.92 million. The increase is on Accounts Payable of P8.84 million ; Interest on Bank loans and advances from Menlo Capital Corporation of P61.32 million; Managment fees of P6.67 million from P36.82 million in 2010 to P43.49 million in 2011. Salaries & wages down from P6.02 million in 2010 to P3.20 million in 2011. Bank Loans of P25.0 million represents a loan from First Metro Investment Corporation with interest rates. Interest from this loan is P3.3 million in 2011, 2010 & 2009. Accrued interest is P45.1 million and p41.8 million as at December 31, 2011 and 2010, respectively. Due to Related Parties relatively increase from P360.92 million in 2010 to P1.053 billion in 2011. This increase is due to the entry of the Company into mining business. Advances were made from Menlo Capital Corporation with interest. Non current liability-Pension liability, the increase of P114.17 thousand is the recognition of benefit pension plan covering all permanent employees. General and Administrative Expenses in 2011 is P38.84 million while in 2010 is P30.26 million and P12.19 million in 2009. The increase of P8.58 million is on Management fees compared to last year's P9.37 million while in 2011 is P23.47 million. Relative to the entry of the company into mining, all expenses increases.

The Company substantially reduced its development activities due to financial difficulties.

Notes to Financial Statements:

- a. The accompanying financial statements were prepared in compliance with PFRS. The financial statements have been prepared using the historical cost basis and are presented in Philippine Pesos.

Adoption of New and Revised PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS and Philippine Interpretation from IFRIC which the Company adopted effective January 1, 2014:

- Amendments to PAS 32, *Financial Instruments: Recognition – Offsetting Financial Assets and Financial Liabilities*
- Amendments to PAS 36, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*

New and Revised PFRS Not Yet Adopted

- Amendment to PAS 16, *Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation*
- Amendments to PAS 19, *Employee Benefits – Defined Benefits Plans: Employee Contributions*
- Amendments to PAS 24, *Related Party Disclosures – Key Management Personnel*
- Amendments to PFRS 13, *Fair Value Measurement – Short – Term Receivables and Payables*
- PFRS 9, *Financial Instrument: Classification and Measurement*

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

The Company's risk management objectives and policies- The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management is coordinated with its Management in close cooperation with the Board of Directors, focuses on actively securing the Company's short-to medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The first time application of the standards and amendments has not resulted in any prior period adjustments of cash flows, net income or balance sheet line items

- There is no significant seasonality or cycle of interim operations.
- Material events subsequent to the end of the interim includes the application of the following: (i) On January 14, 2014 the SEC approved the Company's further equity restructuring by applying additional paid-in capital of P281.9 million to fully wipe out the remaining deficit.
- There are no changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.
- There are no material changes in the contingent liabilities or contingent assets since the last annual balance sheet date.
- There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.

Key Performance Indicators

Below is a schedule showing financial soundness indicators in the year 2014 and 2013:

	December 2014	December 2013
Current/liquidity Ratio	1.70	1.92
Current Assets	P576,852,116	P571,701,686
Current Liabilities	338,861,988	297,850,264
Solvency Ratio	(0.14)	0.52
After tax income less depreciation	(P49,178,929)	P159,977,347
Total liabilities	347,865,168	306,337,101
Debt-to-equity Ratio	0.49	0.41
Total liabilities	P347,865,168	P306,337,101

Total equity	712,667,535	755,445,818
Asset-to-equity Ratio	1.49	1.41
Total assets	P1,060,532,703	P1,061,782,919
Total equity	712,667,535	755,445,818
Interest rate coverage Ratio	(2.92)	2.74
Income before interest and taxes	(P64,993,476)	P253,038,016
Interest expense	22,231,151	92,366,020
Profitability Ratio		
Return of Assets	(0.04)	0.14
After tax income	(P42,778,283)	P153,811,209
Total assets	1,060,532,703	1,061,782,919
Return on equity	(0.06)	0.20
After tax income	(P42,778,283)	P153,811,209
Total equity	712,667,535	755,445,818

Discussion and Analysis of Material Events

(1). (i) MRC's debt-to-equity restructuring have a material impact on its liquidity and equity in the first quarter of 2014. The quasi-reorganization, debt to equity conversion and the decrease in MRC's par value resulted to a positive equity.

(ii) There are no other known trends, commitments, events or uncertainties that will have a material impact on MRC's liquidity within the next twelve (12) months except for those mentioned above.

(2). (i) There are no material commitments as yet for capital expenditures.

(ii) There are no events that will trigger any direct or contingent financial obligation that is material to the Company or any default or acceleration of an obligation for the period.

(3). (i) There is nothing to disclose regarding any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of MRC with unconsolidated entities or other persons created during the reporting period.

(4). There are no other significant elements of income or loss that did not arise from the MRC's operations or borrowings for its projects.

(5). The causes of the material changes of 5% or more (as discussed above) from period to period of the following accounts are as follows:

Balance Sheet Accounts:

Total assets is P1.060 billion and total liabilities and equity is P347.86 million and P712.66 million, respectively. Total assets went down by P1.25 million due to depreciation and amortization of property and equipment.

Due from Related Parties increased by P4.75 million due to the advances made to New Cebu Township One on their electricity expenses. Other current assets are input vat recorded for the year 2014.

Accounts Payable and other liabilities of P338.86 million went up by P41.01 million because of the advances made from related parties for the company's operation amounting to P29.31 million in 2014 from P10.16 million in 2013; and the accrual of interest on the bank loan and other payables in the amount of P261.97 million in 2013 to P283.84 million in 2014. We recorded P1.22 million in Pension liability for 2014, thus the increase.

Net loss of P42.77 million compared to the Company's net income of P152.78 million for 2013, no sale of real estate for the current year whereas last year recorded a sale of real estate project in the amount of P55.00 million; gain from conversion of debt to equity amounting to P175.50 million; gain from reversal of long outstanding payables amounting to P93.91 million and reversal of allowance for probable loss amounting to P5.61 million. Net loss for this year is attributed to the accrual of interest of loans amounting to P22.23 compared to 2013's P92.36 million.

General and administrative expenses of P20.55 million as against P33.19 million of 2013. The increase in general and administrative expenses is attributed to the depreciation and amortization amounting to P6.40 million; salaries and wages of P7.94 million; professional fee of P2.65 million and other expenses in the day to day operation of the Company.

Financial Risk Disclosure under SRC Rule 17.1 (1)(A) (ii)

The Company's principal financial instruments are trade and other receivables, due from related parties, bank loans, trade and other payables and due to related parties. The main purpose of these financial instruments is to finance the Company's operations.

The Company has exposure to liquidity risk, credit risk and interest rate risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks and are summarized below:

- a. Liquidity risk-The company's objective is to maintain balance between continuing of funding and flexibility through the availment of loans and advances from related parties. The assets are sufficient to pay the financial liabilities when they fall due.
- b. Credit risk-This refers to the potential loss arising from any failure by counter parties to fulfill their obligations, as and when they fall due. Generally, the credit risk is attributable to receivables. There are no significant concentrations of credit risk because of full provision of valuation allowance as at December 31, 2012 and 2011.

Plan of Operation

The Company has incurred a deficit mainly because of losses from operations. However, because of the debt-to-equity conversion in 2013 and 2012 and the equity restructuring in 2014 and 2013, it has reduced its deficit to ₱136.8 million which resulted to a positive equity of ₱712.7 million as at December 31, 2014.

To generate profits to sustain operations, management plans are the following:

Real Estate

The Company has two land banks consisting of 160 hectare industrial estate in Naga City, Cebu known as the New Cebu Township One (NCTO) and 700 hectares of raw land in San Isidro Municipality, Leyte known as Amihan Woodlands Township (AWT) (see Note 7). The NCTO comprises of parcels of land that is registered with the Philippine Economic Zone Authority (PEZA). Based on the latest appraisal, the properties have a fair market value of ₱1.5 billion. The Company is selling portion of this properties.

Solar Power Plant

The Company plans to develop in NCTO at least 50 megawatt solar power plant that can either supply electricity to the Visayas grid and/or offer its production to large power consumers within and around Naga City, Cebu. Management is currently negotiating with several interested local and foreign entities concerning the solar project. The renewable energy venture of the Company will be subjected to the approval by the stockholders.

Mining

The Company entered into Mines Operating Agreements (MOA) for gold and copper with Alberto Mining Corporation (AMC) and Pensons Mining Corporation (PMC) (see Note 14) for the

exploration and evaluation of the following mining sites:

Location	No. of Hectares
Kiblawan, Davao del Sur and Columbio, Sultan Kudarat	7,955.7
Marihatag, Surigao del Sur	3,759.3
Paquibato, Mindanao	8,475.6
Boston and Cateel, Davao Oriental	4,860.0

Exploration and evaluation assets recognized in the consolidated statements of financial position amounted to nil and ₱464.3 million as at December 31, 2014 and 2013, respectively. These comprised of 600.0 million shares of consideration paid to AMC and PMC equivalent to ₱444.0 million and ₱20.0 million (see Note 14) paid for the reimbursement of costs on pre-exploration activities.

The above mining sites have an ongoing application for Exploration Permit (EP) with the Mines and Geoscience Bureau (MGB). MGB informed the Company that its application is already in the final stage and it is set to issue a memorandum advice containing the result of their evaluation of the applications. The memorandum advice and the compliance by the Company therein will lead to the issuance of the clearance for the approval of the application for EP.

The ability of the Company to continue as a going concern depends largely on its successful implementation of the above management action plan.

Item 7. Financial Statements

The firm Reyes Tacandong & Co., has been elected and approved as external auditor of the Company during its annual stockholders' meeting on February 28, 2013.

The financial statements of MRC for December 31, 2014, as audited by Reyes Tacandong & Co. are incorporated in this report as reference. The objective of the audit is to provide an auditors report expressing an opinion on the financial statements for the year 2014 in accordance with Philippine Standards on Auditing. Details of the information of the Independent Auditor are as follows:

Accountant	:	Reyes Tacandong & Co.
Mailing Address	:	26 th Floor Citibank Tower 8741 Paseo de Roxas, Makati City
Certifying Partner	:	Emmanuel V. Clarino
CPA Certificate No.	:	27455
SEC Accreditation No.	:	1021-AR-1 Group A Valid until November 11, 2016
Tax Identification No.	:	102-084-004-000
BIR Accreditation No.	:	08-005144-5-2013 Valid until November 26, 2016
PTR No	:	4748321 January 5, 2015, Makati City

The Company has complied with SEC Memorandum Circular No 8 regarding rotation of external auditor or engagement partners.

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

There have been no disagreements between MRC and its accountants/external auditors on any accounting matter since the last annual stockholders meeting to date.

Fees and Other Arrangements

The estimated external auditor's fees are based on the agreed timetable that will enable the Company's statutory obligations in relation to the filing of financial statements with the Securities and Exchange Commission. Other services include the assistance in the preparation of the

annual income tax return.

For services rendered, fees for the year 2014 is P350,000.00; for 2013 is P350,000.00 and 2012 is P350,000.00, exclusive of VAT and out of pocket expenses.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

a. Incumbent Directors and Positions Held for the Past Five (5) Years

Benjamin M. Bitanga, Filipino

President, Director

Founded MRC Allied in 1994 and was responsible for its conversion from a rubber processing company to a major player in the real estate business particularly in the Industrial Estate Sector with concentration in the Southern City of Cebu. Chairman/President, ASIAN APPRAISAL COMPANY (1990-2005). Founder/President MACROASIA CORPORATION(1993-1995). Graduated in 1973 from Ateneo De Manila University with a degree in BS Management. Took up two years of Law Studies from the Ateneo De Manila Law School from 1973 to 1975. Graduated in 1977 from the Asian Institute of Management with a degree of Masters in Business Administration.

Jimmy Tiu Yaokasin, Filipino

Director

Mr. Yaokasin is presently the Chairman of the Board of the Development Academy. He is also a Director of Splash Corporation, Bethel International School, China Philippine Mining Development, Inc. and Leyte Cable TV Network, Inc. He has an MBA from the Kellogg School of Management, Northwestern University.

Bernard B. Rabanzo, Filipino

Director

Mr. Rabanzo is head of the Compliance Division of MRC. He is also currently a Director of Menlo Capital Corporations and ad Director of MRC Surigao Mines, Inc. He holds a Bachelor of Science in Commerce major in Banking and Finance from St. Louis University. Prior to MRC, he was employed at Philippine Wireless, Inc.

Atty. Michael B. Arciso, Filipino

Independent Director

(Nominated by Benjamin M. Bitanga, No relationship to Mr. Bitanga)

He is a practicing lawyer who specializes in corporate, civil and administrative law. He is currently the Legal Counsel of Subic Leisureworld, Inc. He was previously connected with Hanafil Golf & Tour, Inc., as Corporate Lawyer and with Arciso Arciso & Associates as an Associate Lawyer. Mr. Arciso is a graduate of Bachelor of laws from the University of Santo Tomas. He became a member of the Philippine Bar in 2005.

Joel D. Muyco, Filipino

Independent Director

(Nominated by Benjamin M. Bitanga, No relationship to Mr. Bitanga)

Mr. Muyco is the President of J. D. Muyco & Associates, Inc. Former Director of the Mines & Geosciences Bureau of the DENR , elected representative to the United Nations Economic and Social Council for Asia and the Pacific, Undersecretary (Officer-in-Charge), Environment and Research Office of DENR. He was a Director of Philsaga Mining Corporation, Chairman of Mr. Rock Powder Corp, President of Selenga Mining Corp. He is a graduate of University of the Philippines Diliman with Bachelor of Science in Geology majors in Mining and Petroleum.

Edwin H. Monzon, Filipino

Director

Edwin Monzon is a graduated of the University of the Philippines with a degree of Bachelor of Science in Business Administration in 1976. Since then, he has spent his professional life in

consumer marketing with multinational companies like Colgate-Palmolive, Beecham Products, Warner-Lambert and Tupperware. He also had a brief stint with an advertising agency, Bates-Alcantara Advertising.

Among his significant achievements was the successful launching of Gatorade Sports Drink in the Philippines in 1995 when he was marketing director of Quaker Oats Philippines.

Term of Office

The Board of Directors is composed of seven (7) members who are elected and approved at the annual stockholder's meeting, and their term shall be one (1) year and until their successors shall have been elected in the next annual stockholders' meeting. The incumbent directors, as enumerated above, shall hold office until their successors are elected at the forthcoming stockholders' meeting.

b. Corporate and Executive Officers and Positions Held/Business Experience for the Past Five (5) Years

The following are the principal corporate officers of MRC:

Chairman/President	:	Benjamin M. Bitanga
Treasurer/CFO	:	Cherrie Marie B. Lacs
Corporate Secretary	:	Atty. Kenneth Joey H. Maceren
Compliance Officer	:	Bernard B. Rabanzo

Cherrie Marie B. Lacs, Filipino

Ms. Lacs is the Treasurer of MRC. She holds a degree in Bachelor of Science in Accountancy from the Polytechnic University of the Philippines.

Kenneth Joey H. Maceren, Filipino

Atty. Maceren is the Corporate Secretary of MRC. He holds a degree in Bachelor of Arts in Legal Management from San Beda College of Law, Mendiola, Manila.

Term of Office

The corporate officers of MRC are elected and appointed by the Board of Directors during their Board meeting following the stockholders' meeting, for a term of one (1) year and until their successors are elected and appointed in the forthcoming board meeting.

c. Significant Employees

Other than the above-mentioned directors and corporate officers, there are no significant employees who are expected by the Company to make significant contributions to the business of MRC.

d. Family Relationship

No officers and member of the Board are related by consanguinity.

e. Involvement in Certain Legal Proceedings

Benjamin M. Bitanga

Case Title	SAN GABRIEL HOLDINGS CORPORATION and GABRIELV. LEYSON versus MRC ALLIED INDUSTRIES, INC. and BENJAMIN M. BITANGA
Parties	Plaintiffs: (1) SAN GABRIEL HOLDINGS CORPORATION and (2) GABRIELV. LEYSON Defendants: (1) MRC ALLIED INDUSTRIES, INC. and (2) BENJAMIN M. BITANGA
Case Number	CASE NO. CEB-37433
Court	Branch 12 of the Regional Trial Court of Cebu
Nature of the Case	Civil Case
Brief Description and Issues Involved	The case was filed against the corporation and Mr. Benjamin M. Bitanga (in his capacity as President) for Rescission of Contract. The Plaintiffs are asking for the rescission of the Contract to Sell dated 09 December 2006 it entered into with the corporation involving a 54,118 square meter-parcel of land located in the Municipality of San Isidro, Province of Leyte. The corporation is denying the claim for rescission as the Contract to Sell has been validly novated when

	the Plaintiffs agreed to instead purchase an equivalent parcel of land located inside the corporations economic zone in the City of Naga Province of Cebu.
	Mr. Benjamin M. Bitanga is denying any liability because he is not personally liable in any contracts entered into by the corporation. It is a well settled rule that officers and stockholders have a personality distinct and separate from the corporation.
Amount Involved	PHP15,000,000.00
Status	The case has been dismissed without prejudice for failure of the Plaintiffs to submit a Pre-Trial Brief and for their failure to attend the Pre-Trial Hearing set for the case. The Plaintiff has filed a Motion for Reconsideration of the Dismissal of the Case. The Motion for Reconsideration is set for hearing on 27 March 2015. MRC Allied will file an opposition to the Motion.

Case Title	People of the Philippines vs. Benjamin M. Bitanga
Parties	Private Complainant: Engracio Ang, Jr. Accused: Benjamin M. Bitanga
Case Number	CASE NO. 378403
Court	Branch 66 of the Metropolitan Trial Court of Makati City
Nature of the Case	Criminal Case
Brief Description and Issues Involved	The case is for Falsification of Public Documents. The case was filed based on the accusation that the accused made an untruthful statement in a deed of sale covering the sales of a club share at Manila Polo Club. The case involves the statement that the club share subject of the sale is "free from all liens and encumbrances". The statement however is true and correct as the club share was in truth and in fact is free from all liens and encumbrances as no lien or encumbrances was ever created over the club shares subject of the deed of sale. Thus, the accused is not guilty of making any untruthful statement whatsoever.
Amount Involved	N/A
Status	The case has been scheduled for arraignment. However due to the failure of the Private Complainant to appear the arraignment could not proceed. The Accused likewise file a Petition for Review before the Department of Justice to question the filing of the criminal case before the aforementioned court considering the valid defense of the accused. The accused is confident that the case will be dismissed on the basis of his above-mentioned defense.

Case Title	Sps. Pacma & Janifah Bongaros, Sps. Naif & Raiza Abangad, and Miza Panandigan vs. Benisons Shopping Center Inc. (formerly Macrogen Realty Corp.), Benjamin M. Bitanga, CEO & President, and the Members of its Board of Directors, namely, Edgardo L. Sevilla, Hazel C. Zaballero, Monina Grace Lim.
Parties	Plaintiffs: (1) Sps. Pacma & Janifah Bongaros, (2) Sps. Naif & Raiza Abangad, and (3) Miza Panandigan Defendants: (1) Benisons Shopping Center Inc. (formerly Macrogen Realty Corp.), (2) Benjamin M. Bitanga (3) Edgardo L. Sevilla, (4) Hazel C. Zaballero and (5) Monina Grace Lim.
Case Number	Civil Case No. 2224-09
Court	Branch 9 Regional Trial Court of Lanao Del Sur
Nature of the Case	Civil Case
Brief Description and Issues Involved	The case is for Breach of Contract with prayer for Rescission & Damages. The case stemmed from the agreement between the Plaintiffs and Benisons Shopping Center, Inc. granting the former the right to use mall stalls located inside the mall operated by latter. Benisons Shopping Center Inc. has fully complied with its obligation to the Plaintiffs as it has delivered to them the stalls subject of their respective agreements. Plaintiff on the other hand failed to occupy and operate the stalls despite delivery to them thereof. Thus, Benisons Shopping Center, Inc. has not committed any breach of contract and the Plaintiff has no cause of action for the rescission of the agreements between them.
	Mr. Benjamin M. Bitanga was made a defendant only in his capacity as CEO and President of Benisons Shopping Center, Inc. and is denying any liability because he is not personally liable in any contracts entered into by the corporation. It is a well settled rule that officers and stockholders have a personality distinct and separate from the corporation.
Amount Involved	
Status	The case has been archived due to the failure of the Plaintiffs to prosecute the case.

Case Title	Ruben C. Sescon vs. Benjamin M. Bitanga
Parties	Plaintiff: Ruben C. Sescon Defendant: Benjamin M. Bitanga
Case Number	Civil Case No. 12-127448
Court	Branch 6 of the Regional Trial Court of Manila
Nature of the Case	Civil Case
Brief Description and Issues Involved	The case is an appeal of the Decision of Branch 3 of the Metropolitan Trial Court in Civil Case No. 187585-CV wherein the Defendant was declared in default. The Regional Trial Court already issued an Order lifting the order of default against the Defendant and remanding the case to the Metropolitan Trial Court. Defendant however filed a Motion for Reconsideration to secure an order allowing the Defendant to file an answer before the Metropolitan Trial Court.
	The Plaintiff in this case has no cause of action against the Defendant. The Plaintiff is actually collecting payment for alleged structural works for Benisons Shopping Center, Inc. Unfortunately, instead of filing a case against the said corporation, Plaintiff filed the case against the Defendant on the erroneous belief that the corporation is a sole proprietorship business owned by the Defendant. The truth is the Defendant is only a stockholder of the corporation and is thus not personally liable for any contracts entered into by the latter. It is a well settled rule that officers and stockholders have a personality distinct and separate from the corporation.
Amount Involved	P320,332.66
Status	The Motion for Reconsideration filed by the defendant is still pending for resolution of the Regional Trial Court.

Case Title	Pyramid Construction Engineering Corporation vs. Hon. Afable E. Cajigal, Presiding Judge, Regional Trial Court-Branch 96, Quezon City, Manila Golf & Country Club (MGCC), Wilfred T. Siy and Benjamin Bitanga
Parties	Petitioner: Pyramid Construction Engineering Corporation Public Respondent: Hon. Afable E. Cajigal, Presiding Judge, Regional Trial Court-Branch 96, Quezon City Private Respondents: (1) Manila Golf & Country Club (MGCC), (2) Wilfred T. Siy and (3) Benjamin Bitanga
Case Number	CA-G.R. SP No. 127909
Court	Court of Appeals (Fourteenth Division)
Nature of the Case	Special Civil Action
Brief Description and Issues Involved	The case is a Petition For Certiorari questioning the decision of the Public Respondent in an indirect contempt case filed by the Petitioner against the Defendants. The Defendants are not guilty of indirect contempt because they have not violated any order of the court whatsoever. Moreover, Mr. Benjamin M. Bitanga is opposing the Petition on the ground that the Plaintiff has no personality to file the indirect contempt and the Petition for Certiorari.
Amount Involved	N/A
Status	Pending for Resolution of the Court of Appeals

Edwin H. Monzon

Case Title	Bank of the Philippine Islands vs. Alternative Beverages Company, Inc. & Edwin H. Monzon
Parties	Plaintiff: Bank of the Philippine Islands Defendants: (1) Alternative Beverages Company, Inc. & (2) Edwin H. Monzon
Case No.	Civil Case No. 11-754
Court	Branch 150 of the Regional Trial Court of Makati City
Nature of the Case	Civil Case
Brief Description and Issues Involved	This is a case for collection of sum of money. The Plaintiff is suing to collect payment of the remaining balance of the

	loan granted to Defendant Alternative Beverages Company, Inc. Mr. Edwin H. Monzon is sued as joint signatory to the loan.
Amount Involved	PHP11,969,986.11
Status	Trial Stage
Case Title	Malayan Savings and Mortgage Bank vs. Alternative Beverages Company, Inc. & Edwin H. Monzon
Parties	Plaintiff: Malayan Savings and Mortgage Bank Defendants: (1) Alternative Beverages Company, Inc. & (2) Edwin H. Monzon
Case No.	Civil Case No. 13-024
Court	Branch 66 of the Regional Trial Court of Makati City
Nature of the Case	Civil Case
Brief Description and Issues Involved	This is a case for collection of sum of money. The Plaintiff is suing to collect payment of the remaining balance of the loan granted to Defendant Alternative Beverages Company, Inc. Mr. Edwin H. Monzon is sued as joint signatory to the loan.
Amount Involved	PHP8,223,088.13.
Status	Trial Stage

Jimmy T. Yaokasin, Jr.

Case Title	Leyte Development Company, Inc. vs. Pilipinas Shell Petroleum Corporation, Isla LPG Corporation, Brandon Briones, Nolan Supat and Jimmy T. Yaokasin, Jr.
Parties	Plaintiff: Leyte Development Company, Inc. Defendants: (1) Pilipinas Shell Petroleum Corporation (2) Isla LPG Corporation (3) Brandon Briones (4) Nolan Supat and (5) Jimmy T. Yaokasin, Jr.
Case Number	Case No. 2013-07-61
Court	Branch 8 of the Regional Trial Court of Tacloban City
Nature of the Case	Claim for Damages with Application for Issuance of Preliminary Injunction
Brief Description and Issues Involved	Plaintiff is previously the distributor of shellane products in Leyte. After the expiry of the Plaintiff's contract, they sought for the extension thereof. Extension was denied and the contract was awarded to the individual defendants. Plaintiff sued the defendants asking for damages on the claim that it developed the market for shellane products in Leyte. The claim for damages has no basis as the award of the contract for distribution of shellane products lies in the sole management discretion of Defendants Isla LPG Corporation/Pilipinas Shell Petroleum Corporation
Amount Involved	PHP50,000,000.00
Status	Plaintiff filed a Motion for Reconsideration of the Order Lifting the previously issued Writ of Preliminary Injunction

Michael B. Arciso

Case Title	Amelia B. Cruz, I-Cyberworld Biz, Inc. Vs. Atty. Michael B. Arciso
Parties	Complainant: Amelia B. Cruz and I-Cyberworld Inc. Respondent: Atty. Michael B. Arciso
Case Number	CBD CASE NO. 13-3979
Court/Administrative Tribunal	Integrated Bar of the Philippines
Nature of the Case	Administrative Case
Brief Description and Issues Involved	Respondent is being charged for the violation of the Code of Professional Responsibility, Rule 1.01, which states: "A lawyer shall not engage in unlawful, dishonest, immoral or deceitful conduct". The allegations on deceit were mainly based on the alleged "invasion" by the respondent along with other persons of the complainants' office and their presentation of allegedly fake GIS. The same set of facts was used by the complainants to charge the respondent for the crimes of Falsification and Perjury, and Grave Threats and Grave Coercion. The Affidavit Complaint alleged that respondent conspired with his client and other respondents. For his part, Respondent Arciso in his Verified Answer stated that it cannot be precisely inferred or deduced that respondent had a hand or participated in the preparation, production and perpetration of the said document. The allegations failed to state respondent's precise role as well as the surrounding circumstances that would palpably show his exact participation in the commission of the crimes. His name is being dragged in all the cases filed against him simply to harass him because he was assisting one of the other respondents.
Amount Involved	N/A
Status	For Resolution

Case Title	I-Cyberworld Biz, Inc Vs. Benjamin John S. Defensor, et al.,
Parties	Complainant: I-Cyberworld Biz, Inc. Respondents: (1) Benjamin John S. Defensor, (2) Rudel Panganiban and (3) Jocelyn A. Chung, Constantino Dela Cruz, and Michael B. Arciso
Case Number	I.S. No.XV-03-INV-13E-01642
Court/Administrative Tribunal	Office of the City Prosecutor, Quezon City
Nature of the Case	Criminal Case
Brief Description and Issues Involved	The Affidavit Com The Complaint states that the respondents presented a false and fraudulent GIS "considering that all of them are not shareholders of ICB1 except CONSTANTINO". Respondent in his Counter-Affidavit alleged that he never claimed that he is a shareholder of ICB1. His name is being dragged in this case simply to harass him because he happens to be one of the lawyers of one the Respondents. From the four corners of the alleged falsified documents, nowhere can it be seen or deduced that Respondent-Arciso has a hand or participated in the preparation, production and perpetration of the said document. The allegation failed to state the precise role as well as the surrounding circumstances that would show Respondent's exact participation in the commission of a crime.
Amount Involved	N/A
Status	Suspended on the ground of prejudicial question

Case Title	Amelia B. Cruz, Et AL., Vs. Defensor, Et AL.,
Parties	Complainants: (1) Amelia Cruz, Janice Garcia (2) Ma. Jessavel Pilapil (3) Pia Verna (4) Irish Torayno (5) Angelene Abubo (6) Mishelle SM. Tongson (7) Jaquiline Perez and (8) Jae Kyung Lee Respondents: (1) Benjamin John S. Defensor (2) Rudel Panganiban (3) Michael Arciso and (4) Jocelyn A. Chung
Case Number	XV-03-INV-13-B-01589
Court/Administrative Tribunal	Office of the City Prosecutor, Quezon City
Nature of the case	Criminal Case
Brief Description and Issues Involved	The Complaint is based on the alleged intrusion/hostile takeover of the Respondents when they went into the Complainant's office to serve notice of ownership over the corporation. Respondent Arciso was merely assisting his client in serving that notice. The Public Prosecutor handling the case has already ruled that his Office finds no probable cause to charge the Respondents criminally.
Amount Involved	N/A
Status	The Complaint was already dismissed but the Complainant Amelia Cruz file a Motion for Reconsideration

Other than the foregoing, there are no more cases involving the other directors and officers of the Company that are pending as of this report.

Item 10. Executive Compensation

a. Compensation of Directors and Executive Officers

Summarized below are the compensation of directors and executive officers of MRC for the years ended 2014, 2013 and 2012.

Name and Principal Position	Year	Salary	Bonus	Other Compensation
*CEO/President & Directors as a group Benjamin M. Bitanga-Chairman, CEO Cherrie Marie B. Lacs-Treasurer Kenneth Joey H. Maceren-Corp. Sec. Bernard B. Rabanzo-Compliance				
Total	2014	2,160,000	0	0
Total	2013	3,324,000	0	0
Total	2012	4,515,000	0	0
All other officers & directors as a group unnamed:				
Total	2014	0	0	0
Total	2013	0	0	0
Total	2012	0	0	0

b. Standard Arrangement/Material Terms of Any Other Arrangement/Terms and Conditions of Employment Contract with Above-Named Corporate/Executive Officers

No member of the board of directors have received per diem or any compensation for any service provided as directors for the years 2014, 2013 and 2012.

For 2014, no board of directors have been compensated for any service provided as directors, however, starting July 2008, each director is paid a per diem of P10,000.00 for each board of directors meeting.

The Company has no other arrangements in material terms, including consulting contracts, pursuant to which any director was compensated, or is to be compensated directly or indirectly for the years 2014, 2013 and 2012.

Item 11. Security Ownership of Certain Beneficial Owners and Management

a. Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Voting Shares

As of December 31, 2014, MRC knows no one who beneficially owns in excess of 5% of MRC's common stock except as set forth in the table below:

Title of Class	Name and Address of the record owner	Citizenship	Amount & Nature of Ownership	Percentage of Class
Common	Menlo Capital Corporation 5/F Eurovilla 4 Building 853 Arnaiz Avenue Makati City	Filipino	4,387,673,722	51.54
Common Stock	PCD Nominee Corp.* G/F MKSE Building Ayala Avenue, Makati City	Filipino	4,050,483,145	47.58

***There are no participants who own more than 5% of MRC's voting securities. The name/s of the person/s authorized to vote the shares under this account are unavailable at the time of the distribution of this Report.

b. Security Ownership of Directors and Management

There are no shares held or acquired beneficially by any of the directors and executive officers of MRC other than to vote the shares under this account are unavailable at the time of the distribution of this Report.

Title of Class	Name and Address of the record owner	Citizenship	Amount & Nature of Ownership	Percentage of Class
Common Stock	Benjamin M. Bitanga Director/President c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	Filipino	2,468,000 Record & Beneficial	0.0000
Common Stock	Bernard B. Rabanzo Director c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	Filipino	1,000 Record & Beneficial	0.0000
Common Stock	Jimmy Tiu Yaokasin, Jr. Director c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	Filipino	1 Record & Beneficial	0.0000
Common Stock	Edwin H. Monzon Director c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	Filipino	1,000 Record & Beneficial	0.0000
Common Stock	Michael B. Arciso Independent Director c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	Filipino	1 Record & Beneficial	0.0000
Common Stock	Joel D. Muyco Independent Director c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave	Filipino	1 Record & Beneficial	0.000
Common Stock	Kenneth Joey H. Maceren c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	Filipino	0	N.A.
Common Stock	Cherrie Marie B. Lacsí c/o MRC Allied, Inc. 5/f Eurovilla 4, 853 Arnaiz Ave. Makati City	Filipino	0	N.A.

Notes: The security ownership of Mr. Benjamin Bitanga as stated in the foregoing is beneficial and indirect through BMB Property Holdings, Inc.

Item 12. Certain Relationships and Related Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

Stockholders

The Company has significant transactions with MCC. These are summarized as follows:

- a. Noninterest bearing cash advances to MCC of ₱55.0 million in 2013. Outstanding balance of advances amounted to ₱33.0 million as at December 31, 2014 and 2013.
- b. Advances from MCC include the following:
 - Interest bearing cash advances for the Company's working capital requirements and asset acquisition amounting to nil in 2014 and ₱88.6 million in 2013.
 - Transfer of 300,000,000 Company shares to AMC and another 300 million Company shares to PMC equivalent to ₱444.0 million and ₱20.0 million reimbursement of costs on pre-exploration activities as consideration under the MOAs for the acquisition of mining rights (see Notes 1 and 14).
- c. Management fee of nil and ₱11.9 million in 2014 and 2013, respectively.

Payables to MCC aggregating ₱106.4 million and ₱877.5 million were subject to debt-to-equity conversion in 2014 and 2013, respectively (see Note 12).

Other Related Parties

Transactions with other related parties mainly consist of the following:

- e. The Company transferred real estate projects with a carrying value of ₱278.4 million to Asian Appraisal Holdings Inc. (AAHI), a stockholder, in full settlement of obligations to AAHI amounting to ₱122.3 million in 2002. The difference between the carrying values of the obligations settled and the real estate properties transferred amounting to ₱156.1 million was recorded under "Due from related parties" account in the consolidated statements of financial position. The receivable was provided with full valuation allowance because AAHI is in financial difficulty.
- f. Air Liquide, Inc., an associate in prior years, repurchased its own shares of stock from the Company in August 2004 for a total consideration of ₱15.0 million. The proceeds were used to pay accounts payable, bank loans and related interests amounting to ₱10.1 million. The remaining amount of ₱4.9 million was advanced to Kenyon Holding Corporation (Kenyon), another related party. Noninterest-bearing cash advances to Kenyon, a company owned by certain stockholders/directors of the Company, amounted to ₱4.9 million as at December 31, 2013 and 2012, was recorded under "Due from related parties" account in the consolidated statements of financial position. The receivables were provided with full valuation allowance because the Company does not expect to collect from Kenyon.
- g. Noninterest-bearing cash advances made to officers amounted to ₱1.3 million as at December 31, 2014 and 2013, respectively.
- h. Compensation of key management personnel of the Company comprised of short-term employee benefits amounting to nil in 2014 and ₱10.0 million 2013 and 2012, respectively

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Pursuant to the Company's Manual on Corporate Governance, the directors and officers of MRC are all exerting their best efforts to comply with the leading practices and principles on good corporate governance. During the Company's annual stockholders' meeting held on 05 July 2011, the stockholders of MRC have elected the new members of its Board. The Board is composed of executive and non-executive directors.

The Company, through the Board, has created various committees pursuant to the provisions of the Manual. The Company has also designated a Compliance Officer, who oversees compliance with the provisions of the Company's Manual. The Company has adopted the self-rating form prescribed by Securities and Exchange Commission.

To ensure compliance with the Company's Manual of Corporate Governance the following were adopted and enforced:

- a. Appointment of Compliance officer
- b. Creation of Board Committees
- c. Conduct of an orientation programs or workshop to operationalize the manual
- d. Attendance by all members of the Board of Directors in every Board Meeting
- e. Disclosure of all material information that could potentially affect the Corporation
- f. Filing of all required information for the interest of the stakeholders.

So far, there was no deviation from the Manual of Corporate Governance except for the following:

- a. There are still vacancies in the seven-member board. The election of independent director is expected to be addressed during the stockholders meeting and when all vacancies are filled.
- b. Given the minimal operations and manpower of the Corporation, the Company has no professional development program in place at present and there was no perceived need for such program during the preceding calendar year.
- c. There are as yet no written policies and strategic guidelines on major capital expenditures. Such policies and guidelines will be fleshed out after the Board has completed its reviews of the financial and operational aspects of the company.

The Company, however, is working on its systems and procedures to improve compliance with the Company's Manual.

PART V – EXHIBITS AND SCHEDULES

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

- a. **Exhibits** – See accompanying Index to Exhibits

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

- b. **Reports on SEC Form 17-C**

During the period covered by this report, the reports on 17-C Current filed with the Commission include the following:

<u>DISCLOSURE DATE</u>	<u>TITLE</u>
13-Jan-14	List of Top 100 Stockholders as of December 31, 2013
13-Jan-14	Public Ownership Report
03-Feb-14	Result of Annual or Special Stockholders' Meeting
03-Feb-14	Result of Organizational Meeting of the Board of Directors
04-Feb-14	[Amend-1]Results of Annual or Special Stockholders' Meeting
04-Feb-14	Amend-1]Results of Organizational Meeting of Board of Directors
11-Feb-14	Change in Stock Transfer Agent
31-Mar-14	Compliance Report on Corporate Governance
10-Apr-14	Public Ownership Report
11-Apr-14	List of Top 100 Stockholders
15-Apr-14	Annual Report
02-May-14	Postponement of Annual Stockholders' Meeting

12-May-14	Quarterly Report
24-Jun-14	Notice of Annual or special Stockholders' Meeting
14-Jul-14	List of Top 100 Stockholders
14-Jul-14	Public Ownership Report
24-Jul-14	Quarterly Report
24-Jul-14	(Amend-1) Notice of Annual or Special Stockholders' Meeting
01-Aug-14	Information Statement
22-Aug-14	Information Statement
26-Aug-14	(Amend-2) Notice of Annual or Special Stockholders' Meeting
18-Sep-14	Results of Annual Stockholders' Meeting
19-Sep-14	Results of Organizational Meeting of Board of Directors
10-Oct-14	List of Top 100 Stockholders
10-Oct-14	Public Ownership Report
12-Nov-14	Quarterly Report

SIGNATURE PAGE

Pursuant to the requirement of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this Report is signed on behalf of the issuer by the undersigned, duly authorized, in the City of Makati on this APR 08 2015 day of April 2015.

MRC ALLIED, INC.
By:


BENJAMIN M. BITANGA
Chairman & President
TIN # 108-720-911-000

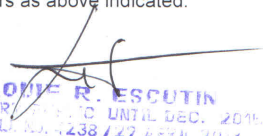

CHERRIE MARIE B. LACSI
Treasurer
TIN # 227-573-441-000


FEDERICO P. PRIETO
In-House Legal Counsel
TIN # 304-314-821-000


BERNARD B. RABANZO
Compliance Officer
TIN # 165-995-731-000

SUBSCRIBED AND SWORN to before me this APR 08 2015 day of April 2015,
affiants exhibiting their respective Tax Identification Numbers as above indicated.

Doc No. 49
Page No. 11
Book No. 11
Series of 2015.


LORIE R. ESCUTIN
NOTARY PUBLIC UNTIL DEC. 2016
ROL NO. 4238 / 27 APRIL 2013
PTR NO. 0012 / MAKATI CITY
ISS. EXPIRATION NO. 40817
MOR COMPLIANCE NO. IX-1126879

MRC ALLIED, INC.
SEC SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2014

Consolidated Financial Statements

Page Number

Statements of Management's Responsibility for Financial Statements
Report of Independent Public Accountants
Consolidated Balance Sheets as of December 31, 2014 and 2013
Consolidated Statements of Income and Retained Earnings
For the Years Ended December 31, 2014 and 2013
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013
Notes to Financial Statements

Supplementary Schedules

A. Marketable Securities- (Current Marketable Equity Securities and Other Short-Term Cash Investments)	N/A
B. Amounts Receivable from Directors, Officers, Employees Related Parties and Principal Stockholders (Other than Affiliates)	N/A
C. Non-Current Marketable Equity Securities, Other Long-Term Investments In Stock, and Other Investments	N/A
D. Indebtedness of Unconsolidated Subsidiaries and Affiliates	N/A
E. Intangible Assets-Other Assets	N/A
F. Long Term Debt	N/A
G. Indebtedness to Affiliates and Related Parties(Long-Term Loans From Related Companies)	N/A
H. Guarantees of Securities of Other Issuers	N/A
I. Capital Stock	1

Supplementary Annex

M. Aging of Accounts Receivable

ANNEX I

**AGGREGATE MARKET VALUE OF VOTING STOCK
HELD BY TOP 10 NON-AFFILIATES
AS OF DECEMBER 31, 2014**

MRC's Top 20 Stockholders as of December 31, 2014 are as follows:

TOP	NAME	TOTAL SHARES	MARKET PRICE TOTAL
1	Menlo Capital Corporation	4,387,673,722	438,767,372.20
2	PCD Nominee Corporation	4,050,350,145	405,035,014.50
3	EMRO Holdings, Inc.	40,833,000	4,083,300.00
4	Philippine TA Sec., Inc.	3,750,000	375,000.00
5	Bayan Financial Brokerage	3,399,500	339,950.00
6	Lucky Securities, Inc.	1,878,000	187,800.00
7	William T. Gabaldon	1,850,000	185,000.00
8	Asian Appraisal Holdings, Inc.	1,376,000	137,600.00
9	BMB Property Holdings, Inc.	1,092,000	109,200.00
10	Quality Investment & Sec.	1,020,000	102,000.00
		8,493,222,367*	849,322,236.70

*99.77% of Total Stockholders

ANNEX II

AGING OF ACCOUNTS RECEIVABLE AS OF DECEMBER 31, 2014

MRC Allied, Inc.

Aging of Accounts Receivable

As of December 31, 2014

	Total	1-3 mos	4-6 mos	7 mos to 1 year	1-2 years	3-5 years	Past Due Accts. & Items in Litigation
1) Type of Accounts Receivable:							
a) Trade Receivables	66,405,978.00					66,405,978.00	
Less: Allowance for Doubtful Accounts	(66,405,978.00)					(66,405,978.00)	
Net Trade Receivables	0.00					66,405,978.00	
b) Non- Trade Receivable:							
1. Advances							
Suppliers	13,203,767.15					13,203,767.15	
Officers & Employees	2,383,309.23				1,332,338	1,050,971.23	
2. Others	1,266,666.70					1,266,666.70	
Less: Allowance for Doubtful Accounts	(16,842,277.60)					(16,547,177.60)	
Net Non-Trade Receivables	306,665.18	0.00	0.00	0.00	0.00	0.00	
Net Receivable	306,665.18	0.00	0.00	0.00	0.00		



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of MRC Allied, Inc. is responsible for the preparation and fair presentation of the financial statements as of and for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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


BENJAMIN M. BITANGA
Chairman & President
TIN# 108-720-911-000


CHERRIE MARIE B. LACSI
Treasurer
TIN# 227-573-441-000


FEDERICO P. PRIETO
In-House Legal Counsel
TIN# 304-314-821-000


BERNARD B. RABANZO
Compliance Officer
TIN# 165-995-731-000

APR 08 2016
SUBSCRIBED & SIGNED TO BEFORE ME THIS _____
AFFIAH HAVING EXHIBITED TO
HIS/HER COMMUNITY TAX IDENTIFICATE NO _____
ISSUED NO _____ AT _____
Doc. No. 28
Page No. 6
Book No. 5015
Series of 2015
LOUIE R. ESCUTIN
NOTARY PUBLIC UNTIL DEC. 2016
ROLL NO. 4233 / 27 APRIL 2013
PTR NO. 4500612 / MAKATI CITY
ISP LIFETIME NO. 4-0817
MCLE COMPLIANCE NO. IX - 1126879
5/F Eurovilla 4 Building, 853 Arnaiz Avenue,
Legazpi Village, Makati City, Metro Manila Tel. No. (02) 846 7910
New Cebu Township One (NCTO), Barangay Cantao-an, Naga, Cebu Tel. No. (032) 272 6572

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A	A	P	F	S
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C	R	M	D
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N	/	A	
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Company's Email Address	Company's Telephone Number/s	Mobile Number
—	634-8387	—
No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
648	Second Monday of May	Dec. 31

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Bernard B. Rabanzo	—	(02)634-8387	—
Contact Person's Address			
5th Floor, Eurovilla 4 Building, 853 A. Arnaiz Avenue, Makati City			

Note: 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.



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
MRC Allied, Inc.
5th Floor, Eurovilla 4 Building
853 A. Arnaiz Avenue
Makati City

Report on the Financial Statements

We have audited the accompanying separate financial statements of MRC Allied, Inc., which comprise the separate statements of financial position as at December 31, 2014 and 2013 and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2014, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of MRC Allied, Inc. as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years ended December 31, 2014, 2013 and 2012 in accordance with Philippine Financial Reporting Standards.

Emphasis of a Matter

The accompanying separate financial statements have been prepared assuming that MRC Allied, Inc. will continue as a going concern. As discussed in Note 1 to separate financial statements, the Company has a property in Naga City, Cebu known as the New Cebu Township One which comprise of parcels of land that is registered with the Philippine Economic Zone Authority and has a fair market value of ₱1.5 billion based on its latest appraisal. The Company is selling portion of this property. Moreover, the Company plans to develop a solar power plant in this property that can either supply electricity to the Visayas grid and/or offer its production to large power consumers within and around Naga City, Cebu. Management is currently negotiating with several interested local and foreign entities concerning the solar project.

A majority stockholder has continuously provided the necessary financial support. The stockholder has converted ₱877.5 million of liabilities into equity in 2013 simultaneous with an equity restructuring. Under the equity restructuring, the Company's capital stock was reduced by reducing the par value per share resulting to an additional paid-in capital of ₱851.3 million which was applied against capital deficit. In 2014, additional paid-in capital of ₱106.4 million was applied against the capital deficit. As of December 31, 2014, the Company has reduced the deficit to ₱106.8 million which resulted to a positive equity of ₱744.4 million.

We have performed the necessary audit procedures to evaluate the ability of the Company to continue as a going concern.



Report on the Supplementary Information Required under Revenue Regulations Nos. 15-2010 and 19-2011 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses in Note 22 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of MRC Allied, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & Co.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

BOA Accreditation No. 4782; Valid until December 31, 2015

SEC Accreditation No. 1021-AR-1 Group A

Valid until November 11, 2016

BIR Accreditation No. 08-005144-5-2013

Valid until November 26, 2016

PTR No. 4748321

Issued January 5, 2015, Makati City

April 7, 2015

Makati City, Metro Manila

MRC ALLIED, INC.

SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2014	2013
ASSETS			
Current Assets			
Cash in bank		₱107,471	₱147,832
Trade and other receivables	6	254,445	242,980
Due from related parties	13	41,076,552	36,737,350
Real estate projects	7	562,805,383	562,805,383
Other current assets	8	1,040,953	614,291
Total Current Assets		605,284,804	600,547,836
Noncurrent Assets			
Property and equipment	9	9,303,678	14,873,123
Exploration and evaluation assets	14	464,000,000	464,000,000
Investment in subsidiaries	1	40,000,000	40,000,000
Other noncurrent assets		2,500,000	2,500,000
Total Noncurrent Assets		515,803,678	521,373,123
TOTAL ASSETS		₱1,121,088,482	₱1,121,920,959
LIABILITIES AND EQUITY			
Current Liabilities			
Bank loan	10	₱25,000,000	₱25,000,000
Trade and other payables	11	283,333,802	261,467,772
Due to related parties	13	29,313,685	12,374,407
Total Current Liabilities		337,647,487	298,842,179
Noncurrent Liabilities			
Retirement liability	17	9,003,180	7,779,025
Subscription payable	1	30,000,000	30,000,000
Total Noncurrent Liabilities		39,003,180	37,779,025
Total Liabilities		376,650,667	336,621,204
Equity			
Capital stock - ₱0.10 par value in 2014 and 2013			
Authorized shares - 15,000,000,000			
Issued shares - 8,512,658,975	12	851,265,898	851,265,898
Additional paid-in capital	12	—	106,418,045
Deficit	1	(106,828,083)	(172,384,188)
Total Equity		744,437,815	785,299,755
TOTAL LIABILITIES AND EQUITY		₱1,121,088,482	₱1,121,920,959

See accompanying Notes to Separate Financial Statements.

MRC ALLIED, INC.

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2014	2013	2012
SALES		P—	P55,000,000	P—
COST OF SALES		—	43,550,551	—
GROSS PROFIT		—	11,449,449	—
EXPENSES				
Interest and penalties	10	22,008,622	92,015,190	165,077,881
General and administrative	15	18,853,318	30,686,823	50,446,173
Mining expenses	1	—	1,500,000	—
		40,861,940	124,202,013	215,524,054
OTHER INCOME				
Gain from conversion of debt to equity	12	—	175,506,359	10,575,248
Gain from reversal of long outstanding payables	11	—	93,911,506	—
Reversal of allowance for probable loss	8	—	5,617,346	—
		—	275,035,211	10,575,248
INCOME (LOSS) BEFORE INCOME TAX		(40,861,940)	162,282,647	(204,948,806)
CURRENT INCOME TAX EXPENSE	18	—	5,617,346	211,505
NET INCOME (LOSS)		(40,861,940)	156,665,301	(205,160,311)
OTHER COMPREHENSIVE LOSS				
<i>Not to be reclassified in profit or loss when realized</i>				
Remeasurements of retirement liability	17	—	(1,023,641)	(3,769,464)
TOTAL COMPREHENSIVE INCOME (LOSS)		(P40,861,940)	P155,641,660	(P208,929,775)
BASIC/DILUTED EARNINGS (LOSS) PER SHARE	19	(P0.005)	P0.03	(P 0.05)

See accompanying Notes to Separate Financial Statements.

MRC ALLIED, INC.

**SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**

	Capital Stock (Notes 1 and 12)	Additional Paid-In Capital (Notes 1 and 12)	Deficit (Note 1 and 17)	Total
Balances at December 31, 2013	₱851,265,898	₱106,418,045	(₱172,384,188)	₱785,299,755
Equity restructuring	—	(106,418,045)	106,418,045	—
Net loss	—	—	(40,861,940)	(40,861,940)
Balances at December 31, 2014	₱851,265,898	₱—	(₱106,828,083)	₱744,437,815
Balances at December 31, 2012	₱825,000,000	₱281,924,404	(₱1,179,291,746)	(₱72,367,342)
Issuance of shares	877,531,796	(175,506,359)	—	702,025,437
Reduction of par value per share	(851,265,898)	851,265,898	—	—
Equity restructuring	—	(851,265,898)	851,265,898	—
Remeasurement of retirement liability (Note 17)	—	—	(1,023,641)	(1,023,641)
Net income	—	—	156,665,301	156,665,301
Balances at December 31, 2013	₱851,265,898	₱106,418,045	(₱172,384,188)	₱785,299,755
Balances at December 31, 2011	₱724,283,349	₱292,499,652	(₱970,361,971)	₱46,421,030
Issuance of shares	100,716,651	(10,575,248)	—	90,141,403
Remeasurement of retirement liability (Note 17)	—	—	(3,769,464)	(3,769,464)
Net loss	—	—	(205,160,311)	(205,160,311)
Balances at December 31, 2012	₱825,000,000	₱281,924,404	(₱1,179,291,746)	(₱72,367,342)

See accompanying Notes to Separate Financial Statements.

MRC ALLIED, INC.

SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		(P40,861,940)	P162,282,647	(P204,948,806)
Adjustments for:				
Interest and penalties	10	22,008,622	92,015,190	165,077,881
Depreciation	9	5,569,445	5,243,435	6,358,200
Retirement benefits	17	1,224,155	1,110,504	909,465
Gain from conversion of debt to equity	12	—	(175,506,359)	(10,575,248)
Gain from reversal of long outstanding trade and other payables	11	—	(93,911,506)	—
Reversal of allowance for probable loss	8	—	(5,617,346)	—
Operating loss before working capital changes		(12,059,718)	(14,383,435)	(43,178,508)
Decrease (increase) in:				
Trade and other receivables		(11,465)	(72,250)	(145,130)
Real estate projects		—	(11,449,449)	—
Due from related parties		(4,339,202)	43,408,332	(25,042,503)
Other current assets		(426,662)	(628,560)	—
Increase (decrease) in trade and other payables		(142,592)	(28,477,390)	15,674,783
Net cash used in operating activities		(16,979,639)	(11,602,752)	(52,691,358)
CASH FLOW FROM AN INVESTING ACTIVITY				
Additions to property and equipment	9	—	(11,357)	—
CASH FLOW FROM A FINANCING ACTIVITY				
Increase in due to related parties		16,939,278	11,671,585	52,656,010
NET INCREASE (DECREASE) IN CASH		(40,361)	57,476	(35,348)
CASH AT BEGINNING OF YEAR		147,832	90,356	125,704
CASH AT END OF YEAR		P107,471	P147,832	P90,356
NONCASH FINANCIAL INFORMATION				
Debt-to-equity conversion	12	P106,418,045	877,531,796	100,716,651
Reduction of par value		—	(851,265,898)	—
Advances by related parties for:				
Property and equipment acquired	13	—	—	9,314,261
		P106,418,045	P26,265,898	P110,030,912

See accompanying Notes to Separate Financial Statements.

MRC ALLIED, INC.

NOTES TO SEPARATE FINANCIAL STATEMENTS

1. Corporate Information

MRC Allied, Inc. (the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 20, 1990. The Company is primarily engaged in the development and sale of real estate. The Company's shares are publicly traded in the Philippine Stock Exchange (PSE).

In 1995, the Company listed its entire 500,000,000 common shares in the PSE with an initial public offering share price of ₱3.00 a share. The PSE also approved additional listing of the Company's common shares to cover debt to equity conversion that were made on the following dates:

- March 25, 2010 – 3,121,416,745 shares at ₱0.20 a share
- May 24, 2012 – 503,583,255 shares at ₱0.20 a share

On May 24, 2012, the PSE approved the Company's application to list 503.6 million common shares at ₱0.20 par value to cover its debt-to-equity transaction with Menlo Capital Corporation (MCC) at a conversion price of ₱0.20 a share. Consequently, outstanding liability to MCC aggregating ₱100.7 million were reclassified and converted to capital stock in 2012.

On November 8, 2013, the SEC approved the (1) debt-to-equity conversion of payable to a stockholder amounting to ₱877.5 million as consideration for the issuance of 4,387,658,975 shares of stock with a par value of ₱0.20 per share and, (2) the Company's equity restructuring. Under the equity restructuring, the Company's capital stock was reduced by reducing the par value of shares from ₱0.20 to ₱0.10 resulting to an additional paid-in capital of ₱851.3 million. This was applied against the Company's deficit (see Note 12).

The excess of the value of shares issued at par value at which price the debt to equity conversion was made over the market value of the shares at the date of issuance amounting to ₱175.5 million in 2013 and ₱10.6 million in 2012, was recognized as gain from conversion of debt to equity.

On January 14, 2014, the SEC approved the Company's further equity restructuring by applying additional paid-in capital of ₱106.4 million to deficit.

As at December 31, 2014 and 2013, the total number of shares owned by the public aggregated 4,091,535,249 shares and 3,986,656,742 shares, respectively, representing 48.06% and 46.83% of the total issued shares and outstanding.

The Company's subsidiaries which were incorporated in the Philippines are as follows:

Subsidiaries	Date of Incorporation	Nature of Business	% of Ownership
MRC Tampakan Mining Corporation (MRC Tampakan)	2011	Mining	100.00
MRC Surigao Mines, Inc. (MRC Surigao)	2011	Mining	100.00
Makrubber Corporation (Makrubber)	1990	Processing and export of natural rubber products	100.00

Makrubber has ceased commercial operations in 2011.

MRC Tampakan and MRC Surigao have not started commercial operations. These consolidated subsidiaries were incorporated in July 2011 with capitalization of ₱5.0 million each.

Investment in subsidiaries amounted to ₱40.0 million and the related subscription payable amounted to ₱30.0 million, as at December 31, 2014 and 2013.

The Company's registered principal and business address is at 5th Floor, Eurovilla 4 Building, 853 A. Arnaiz Avenue, Makati City.

The separate financial statements as at December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012 were approved and authorized for issue by the Company's Board of Directors (BOD) on April 7, 2015.

Status of Operations

The Company has incurred a deficit mainly because of losses from operations. However, because of the debt-to-equity conversion in 2013 and 2012 and the equity restructuring in 2014 and 2013, it has reduced its deficit to ₱106.8 million which resulted to a positive equity of ₱744.4 million as at December 31, 2014.

To generate profits to sustain operations, management plans are the following:

a. Real Estate

The Company has two land banks consisting of 160 hectare industrial estate in Naga City, Cebu known as the New Cebu Township One (NCTO) and 700 hectares of raw land in San Isidro Municipality, Leyte known as Amihan Woodlands Township (AWT) (see Note 7).

The NCTO comprises of parcels of land that is registered with the Philippine Economic Zone Authority (PEZA).

Based on the latest appraisal, the properties have a fair market value of ₱1.5 billion. The Company is selling portion of this properties.

b. Solar Power Plant

The Company plans to develop in NCTO at least 50 megawatt solar power plant that can either supply electricity to the Visayas grid and/or offer its production to large power consumers within and around Naga City, Cebu. Management is currently negotiating with several interested local and foreign entities concerning the solar project. The renewable energy venture of the Company will be subjected to the approval by the stockholders.

c. Mining

The Company entered into Mines Operating Agreements (MOA) for gold and copper with Alberto Mining Corporation (AMC) and Pensons Mining Corporation (PMC) (see Note 14) for the exploration and evaluation of the following mining sites:

Location	No. of Hectares
Kiblawan, Davao del Sur and Columbio, Sultan Kudarat	7,955.7
Marihatag, Surigao del Sur	3,759.3
Paquibato, Mindanao	8,475.6
Boston and Cateel, Davao Oriental	4,860.0

Exploration and evaluation assets recognized in the separate statements of financial position amounted to ₱464.0 million as at December 31, 2014 and 2013. These comprised of 600.0 million shares of consideration paid to AMC and PMC equivalent to ₱444.0 million and ₱20.0 million (see Note 13) paid for the reimbursement of costs on pre-exploration activities.

The above mining sites have an ongoing application for Exploration Permit (EP) with the Mines and Geoscience Bureau (MGB). MGB informed the Company that its application is already in the final stage and it is set to issue a memorandum advice containing the result of their evaluation of the applications. The memorandum advice and the compliance by the Company therein will lead to the issuance of the clearance for the approval of the application for EP.

The ability of the Company to continue as a going concern depends largely on the successful implementation of the above management action plan.

2. Basis of Preparation and Statement of Compliance

The separate financial statements have been prepared on the historical cost basis and are presented in Philippine Peso, the Company's functional currency. All values represent absolute amounts except when otherwise stated. Moreover, the separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Financial Reporting Standards Council (FRSC) and adopted by the SEC. PFRS includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

The Company also prepared and issued consolidated financial statements. The consolidated financial statements are available for public use and can be obtained at the Company's registered office address and at the SEC.

3. Summary of Changes in PFRS

Adoption of New and Revised PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS and Philippine Interpretation from IFRIC which the Company adopted effective January 1, 2014:

- Amendments to PAS 32, *Financial Instruments: Recognition - Offsetting Financial Assets and Financial Liabilities* – The amendments address inconsistencies in current practice when applying the offsetting criteria in PAS 32. The amendments clarify (1) the meaning of 'currently has a legally enforceable right of set-off'; and (2) that some gross settlement systems may be considered equivalent to net settlement.
- Amendments to PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* – These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- Philippine Interpretation IFRIC 21, *Levies* – This interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment occurs as identified by the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

The adoption of the foregoing new and revised PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2014 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after July 1, 2014:

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* – The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans.
- Amendments to PAS 24, *Related Party Disclosures - Key Management Personnel* – The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.
- Amendments to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables* – The amendments clarify that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. It also clarifies that the scope of the portfolio exception includes all contracts accounted for within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities.

Effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments: Classification and Measurement* – This standard is the first phase in replacing PAS 39 and applies to classification and measurement of financial assets as defined in PAS 39.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS are not expected to have any material effect on the financial statements. Additional disclosures will be included in the financial statements, as applicable.

4. Summary of Significant Accounting Policies

The significant accounting policies summarized below have been consistently applied by the Company to all years presented in the separate financial statements.

Financial Assets and Financial Liabilities

Date of Recognition. The Company recognizes a financial asset or a financial liability in the separate statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable is done using settlement date accounting.

Initial Recognition. Financial assets and liabilities 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.

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

As at December 31, 2014 and 2013, the Company does not have financial assets and liabilities at FVPL, AFS financial assets and HTM investments.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the separate statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date, otherwise, these are classified as noncurrent assets.

This category includes cash in bank, trade and other receivables and due from related parties.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations and other liabilities not covered by other accounting standards, such as income tax payable. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This category includes bank loan, trade and other payables and due to related parties.

Impairment of Financial Assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For loans and receivables, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the separate statements of comprehensive income. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the "Other income" account.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

Derecognition of Financial Instruments

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

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

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or 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 separate statements of comprehensive income.

Offsetting of Financial Instruments

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

Real Estate Projects

Real estate projects are valued at the lower of cost or net realizable value (NRV). Expenditures for development and improvements are capitalized as part of the cost of the land. Costs of land and improvements include interest incurred on loans while development is in progress, the proceeds of which were used to finance the development of the land. Interest capitalization is suspended for the periods in which there are no active development and improvements. NRV is the fair value in the ordinary course of business less marketing costs.

Other Current Assets

Other current assets consist of prepaid expense, creditable withholding tax, deposits and input value-added tax (VAT).

Prepaid Expense. Prepaid expense 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 recognized in profit or loss as these are consumed in operations or expire with the passage of time.

Prepaid expense are classified in the separate statements of financial position as current assets when the cost of goods and services related to the prepayment are expected to be incurred within one year or the Company's operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

Creditable Withholding Taxes (CWTs). CWTs represent taxes withheld by the Company's customers as required under Philippine taxation laws and regulations. CWTs are recognized as asset and will be used to offset against the Company's income tax liability. CWTs are stated at their estimated net realizable value (NRV).

Deposits. Deposits represent payments made in relation to the lease and other agreements entered into by the Company. These are carried at cost less any impairment in value, and will generally be applied as lease payment or final payment at the end of the agreements.

Input Value-added Tax (VAT). Input VAT represents tax imposed on the Company by its suppliers for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT are recognized as an asset and will be used to offset the Company's current VAT liability. Input VAT is stated at NRV.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are recognized in the separate statement of comprehensive income 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 property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment. Cost also includes any asset retirement obligation and interest on borrowed funds used. When assets are sold or retired, their cost and accumulated depreciation and any impairment loss are eliminated from the accounts and any gain or loss resulting from their disposal is included in the separate statements of comprehensive income.

Depreciation are calculated on a straight-line basis over the useful lives of the assets. The useful life of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The assets' residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at the end of each reporting period.

The estimated useful lives of items of property and equipment are as follows:

	Number of Years
Transportation equipment	5
Furniture, fixtures and equipment	3
Land improvements	5

Exploration and Evaluation Assets

Exploration and evaluation assets represent the Company's acquired rights to do exploration and evaluation of certain mining areas. Expenditures for mine exploration work prior to and subsequent to drilling are deferred as incurred. 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 in Subsidiaries

The Company's investments in subsidiaries are accounted for at cost less impairment in value. Subsidiaries are entities over which the Company has the power to govern the financial and operating policies, or generally have an interest of more than one half of the voting rights. The reporting dates of the subsidiaries of the Company are identical and the subsidiaries accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

Impairment of Nonfinancial Assets

Nonfinancial assets consisting of property and equipment, exploration and evaluation assets, investment in subsidiaries and other noncurrent assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the separate statements of comprehensive income.

Fair Value Measurement

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the 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 7 and 20.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and number of shares issued. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of tax, from the proceeds.

When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Retained Earnings (Deficit)

Retained earnings (deficit) represent cumulative balance of net income or loss, net of any dividend declaration. Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period. Retained earnings (deficit) may also include effect of changes in accounting policy as may be required by the transitional provisions of new and amended standards.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured.

Sales. Revenue from sale of real estate is recognized when the significant risks and rewards of ownership of the properties have passed to the buyer. Revenue is measured at the fair value of the consideration received.

Interest. Interest income is recognized as it accrues based on the effective interest method.

Other Income. Revenue is recognized as it accrues.

Expenses

Expenses are recognized and charged to operations as incurred. These include expenses such as salaries, wages and employee benefits, transportation and travel, professional fees, depreciation, mining expenses and other expenses. These expenses are incurred in the administration of the business as incurred by the administrative departments.

Operating Lease

Operating lease represents lease under which substantially all the risks and rewards of ownership of the leased assets are retained by the lessor. Operating lease payments are recognized as expense on a straight-line basis over the lease term in the separate statements of comprehensive income.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditure and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. All other borrowing costs are expensed in the period they occur. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Employee Benefits

Short-term Benefits. The Company provides short-term benefits to its employees in the form of basic salary, 13th month pay, bonuses, employer's share on government contribution, and other short-term benefits.

Retirement Benefits. The Company has a non-contributory defined benefit retirement plan covering all qualified employees. The retirement benefits cost 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 Company recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailment and non-routine settlements; and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the retirement liability. Past service cost are recognized in profit or loss on the earlier of the date of the plan amendment curtailment, and the date the Company recognizes restructuring related costs.

Remeasurements comprising actuarial gains and losses, return on plan assets and any changes in effect of the asset ceiling (excluding net interest on retirement liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement liability is the aggregate of the present value of the retirement liability.

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

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been 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, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset 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 asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized under other comprehensive income and outside profit or loss.

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

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

Contingencies

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

Events After the Reporting Period

Post year-end events that provide additional information about the Company's financial position at the end of the reporting period (adjusting events) are reflected in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to separate financial statements when material.

Earnings (Loss) Per Share (EPS)

The Company presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the net income (loss) attributable to stockholders of the Company by the weighted average number of ordinary shares issued and outstanding during the period after giving retroactive effect to any stock dividends declared. Diluted EPS is calculated in the same manner, adjusted for the effects of any dilutive potential ordinary shares. Where the effect of the dilutive potential ordinary shares would be anti-dilutive, basic and diluted EPS are stated at the same amount.

5. Significant Accounting Judgments, Estimates and Assumptions

The separate financial statements prepared under PFRS require management to make judgments and estimates that affect amounts reported in the separate financial statements and related notes. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the separate financial statements as they become more reasonably determinable.

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

Judgments

In the process of applying the Company's policies, management has made a certain judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the separate financial statements.

Determining Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine Peso. It is the currency of the primary economic environment in which the Company operates.

Operating Lease Commitments. The Company has entered into lease agreements as a lessee. Critical judgment was exercised by management to distinguish such lease agreement as an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements (see Note 16).

Rent expense amounted to ₱0.9 million, ₱1.1 million and ₱0.7 million for the years ended December 31, 2014, 2013 and 2012, respectively (see Note 16).

Contingencies. The Company, in the ordinary course of business, sets up appropriate provision for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with legal counsel handling the Company's defense in these matters and is based upon an analysis of potential results. As at December 31, 2013, the Company is involved in litigations and claims, which arise in the normal course of business. Management and its legal counsel believe, however, that the ultimate outcome of these cases will not materially affect the Company's financial position, financial performance and cash flows. No provision for probable losses arising from legal contingencies was recognized in the separate financial statements as at December 31, 2014 and 2013.

Estimates and Assumptions

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

Impairment of Loans and Receivables. The Company assesses whether objective evidence of impairment exists for receivables that are individually significant and collectively for receivables that are not individually significant. Allowance for impairment is maintained at a level considered adequate to provide for potentially uncollectible receivables.

The aggregate carrying values of trade and other receivables amounted to ₱0.3 million and ₱0.2 million as at December 31, 2014 and 2013, respectively. Allowance for impairment losses amounted to ₱81.9 million as at December 31, 2014 and 2013 (see Note 6). The total carrying amount of due from related parties amounted to ₱41.1 million and ₱36.7 million as at December 31, 2014 and 2013, respectively. Allowance for impairment losses amounted to ₱161.1 million as at December 31, 2014 and 2013 (see Note 13).

NRV of Real Estate Projects. The Company assess whether the carrying amounts of its real estate projects exceeds its NRV. The Company recognizes allowance for probable losses on its real estate projects when the carrying value exceeds NRV. No allowance for probable losses was recognized in 2014 and 2013 because the fair value of the real estate projects is higher than the carrying values.

The carrying value of the real estate projects both amounted to ₱562.8 million as at December 31, 2014 and 2013. The fair value of the real estate projects aggregated ₱1,541.3 million as at December 31, 2014 and 2013 (see Note 7).

Useful Lives of Property and Equipment. The Company estimates the useful life of each property and equipment based on the period over which the property and equipment are expected to be available for use or until the end of useful life, whichever is shorter. The estimated useful lives of property and equipment are reviewed at each financial year-end and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of property and equipment. In addition, the estimation of the useful lives of property and equipment are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for the period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded expense and decrease the property and equipment account. There is no change in the estimated useful life of property and equipment in 2014 and 2013.

As at December 31, 2014 and 2013, the carrying amount of the Company's property and equipment amounted to ₱9.3 million and ₱14.9 million, respectively (see Note 9).

Impairment of Property and Equipment. PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the recoverable amount of property and equipment which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets requires the Company to make estimates and assumptions that can materially affect its separate financial statements. Future events could cause the Company to conclude that the property and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

As at December 31, 2014 and 2013, the carrying amount of the Company's property and equipment amounted to ₱9.3 million and ₱14.9 million, respectively. No impairment losses on property and equipment were recognized in 2014 and 2013 (see Note 9).

Recoverability of Exploration and Evaluation Assets. The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether the future economic benefits are likely, based on assumptions made and may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written-off in the separate statements of comprehensive income in the period when the new information becomes available. The Company reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable and exceeds their fair value.

The mining sites have an ongoing application for EP with the MGB which is already in the final stage and it is set to issue a memorandum advice containing the result of their evaluation of the applications. The memorandum advice and the compliance by the Company therein will lead to the issuance of the clearance for the approval of the application for EP.

As at December 31, 2014 and 2013, the exploration and evaluation assets amounted to ₱464.0 million. No impairment was recognized in 2014 and 2013 (see Note 14).

Realizability of Deferred Tax Assets. The Company reviews its deferred income tax asset at the end of each reporting period and reduces the carrying amount 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 asset to be utilized. Management believes that there is no assurance that the Company will generate sufficient taxable profit to allow all or part of its deferred tax asset as at December 31, 2014 and 2013 to be utilized. The Company did not recognize deferred income tax assets on deductible temporary differences, excess MCIT and NOLCO as at December 31, 2014 and 2013 (see Note 18).

Impairment Losses on Other Current Assets. Assets are reviewed and tested whenever there is an indication of impairment and are reassessed at least at the end of each reporting period. Factors such as changes in projected future operating results or significant negative industry or economic trends are considered by the Company in determining indication that no future benefit will be realized from the asset.

As at December 31, 2014 and 2013, other current assets are provided with allowance of ₱9.0 million. The carrying amount of other current assets as at December 31, 2014 and 2013 amounted to ₱1.0 million and ₱0.6 million, respectively (see Note 8).

Impairment on Investment in Subsidiaries. The Company assesses any impairment on its investment in subsidiaries whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Indicators such as significant decline in market value and significant negative industry or economic trends are considered by the Company in deciding when to perform impairment review.

No impairment loss was recognized in 2014 and 2013. The carrying value of the investment in subsidiaries amounted to ₱40.0 million as at December 31, 2014 and 2013 (see Note 1).

Retirement Benefits. The determination of the obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions, which include among others, discount rates and rates of compensation increase, are indicated in Note 17. In accordance with PAS 19, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligation.

As at December 31, 2014 and 2013, retirement liability amounted to ₱9.0 million and ₱7.8 million, respectively (see Note 17).

Financial Assets and Liabilities. The Company carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence (i.e., interest rates, volatility rates). The amount of changes in fair value would differ if the Company utilized different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect directly the Company's profit and loss and equity.

The carrying value and fair value of the financial assets and liabilities as at December 31, 2014 and 2013 are disclosed in Note 20.

6. Trade and Other Receivables

This account consists of:

	Note	2014	2013
Trade receivables		₱66,405,978	₱66,405,978
Advances to:			
Suppliers		13,203,767	13,192,302
Officers and employees	13	1,268,351	1,268,351
Others		1,266,667	1,266,667
		82,144,763	82,133,298
Less allowance for impairment		81,890,318	81,890,318
		₱254,445	₱242,980

Trade receivables represent the unpaid balances from real estate developers and customers. Advances to suppliers represent receivables from suppliers in relation to acquisition of raw materials and supplies. Other receivables represent receivables from various individuals arising from various transactions related to the sale of real estate projects, advance rentals and others.

Trade and other receivables have been provided with valuation allowance except for certain advances to officers and employees. These advances are generally due and demandable.

There were no movement in allowance from impairment losses in 2014 and 2013.

7. Real Estate Projects

This account consists of:

	Note	2014	2013
AWT	1	₱359,257,715	₱359,257,715
NCTO	1	203,547,668	203,547,668
		₱562,805,383	₱562,805,383

These properties are valued at ₱469.6 million and ₱1,071.7 million for NCTO and AWT, respectively, based on a valuation conducted by an independent appraiser on March 31, 2011. The independent appraiser used the sales comparison approach. This fair value measurement is categorized as Level 3 (significant unobservable input). Management believes that this value is still indicative of the fair value of the properties as at December 31, 2014 and 2013.

There was no borrowing cost capitalized as at December 31, 2014 and 2013.

8. Other Current Assets

This account consists of:

	2014	2013
Creditable withholding tax	₱3,713,884	₱3,713,884
Deposits	3,653,263	3,653,263
Input VAT	2,556,572	2,129,910
Prepaid expenses	82,180	82,180
	10,005,899	9,579,237
Less allowance for probable losses	8,964,946	8,964,946
	₱1,040,953	₱614,291

In 2013, the Company reversed allowance for probable losses of ₱5.6 million.

9. Property and Equipment

Movements of this account are as follows:

2014				
Note	Transportation Equipment	Furniture, Fixtures and Equipment	Land Improvements	Total
Cost				
Balances at beginning and end of year	₱48,679,726	₱2,234,946	₱7,076,743	₱57,991,415
Accumulated Depreciation				
Balances at beginning of year	34,076,915	1,964,634	7,076,743	43,118,292
Depreciation 15	5,339,004	230,441	—	5,569,445
Balances at end of year	39,415,919	2,195,075	7,076,743	48,687,737
Net Book Values	₱9,263,807	₱39,871	₱—	₱9,303,678

2013				
Note	Transportation Equipment	Furniture, Fixtures and Equipment	Land Improvements	Total
Cost				
Balances at beginning of year	₱48,679,726	₱2,223,589	₱7,076,743	₱57,980,058
Additions	—	11,357	—	11,357
Balances at end of year	48,679,726	2,234,946	7,076,743	57,991,415
Accumulated Depreciation				
Balances at beginning of year	29,009,353	1,788,761	7,076,743	37,874,857
Depreciation 15	5,067,562	175,873	—	5,243,435
Balances at end of year	34,076,915	1,964,634	7,076,743	43,118,292
Net Book Values	₱14,602,811	₱270,312	₱—	₱14,873,123

As at December 31, 2014 and 2013, fully depreciated property and equipment that are still in use by the Company amounted to ₱32.9 million and ₱32.5, respectively.

10. Bank Loan

This account represents a due and demandable bank loan obtained from First Metro Investment Corporation (FMIC) amounting to ₱25.0 million, with interest rates ranging from 12.0% to 19.5% every year. Interest and penalties amounted to ₱22.0 million, ₱21.2 million and ₱17.3 million in 2014, 2013 and 2012, respectively. Accrued interest and penalties amounted to ₱270.5 million and ₱248.5 million as at December 31, 2014 and 2013, respectively (see Note 11).

Interest and penalties comprised of:

Note	2014	2013	2012
Bank loans	₱22,008,622	₱21,207,017	₱17,290,935
Advances from MCC 13	—	70,808,173	147,786,946
	₱22,008,622	₱92,015,190	₱165,077,881

11. Trade and Other Payables

This account consists of:

	Note	2014	2013
Accruals:			
Interest and penalties	10	₱270,463,604	₱248,454,982
Project costs		9,619,346	9,619,346
Salaries and benefits		3,204,111	3,204,111
Others		46,741	189,333
		₱283,333,802	₱261,467,772

In 2013, accounts payable amounting to ₱93.9 million were reversed and gain from reversal of long outstanding trade and other payables was recognized. These payables pertain to payable to contractors, trade and non-trade suppliers.

12. Capital Stock

The movement of the Company's authorized capital stock and the number of shares issued and outstanding are as follows:

	Authorized Capital Stock	Issued and Outstanding
No. of shares at December 31, 2013	15,000,000,000	8,512,658,975
Issuance of shares	—	—
No. of shares at December 31, 2014	15,000,000,000	8,512,658,975
No. of shares at December 31, 2012	15,000,000,000	4,125,000,000
Issuance of shares	—	4,387,658,975
No. of shares at December 31, 2013	15,000,000,000	8,512,658,975
No. of shares at December 31, 2011	15,000,000,000	3,621,416,745
Issuance of shares	—	503,583,255
No. of shares at December 31, 2012	15,000,000,000	4,125,000,000

Par Value. Par value of share is ₱0.10 a share in 2014 and 2013 and ₱0.20 a share in 2012.

Debt-to-Equity Conversion. On February 28, 2013 the stockholders approved a debt-to-equity conversion of up to ₱1.0 billion worth of previously contracted debt to MCC at conversion price of ₱0.20 a share and the decrease in par value of the shares from ₱0.20 to ₱0.10 a share with a resulting additional paid in capital of ₱851.3 million to implement a quasi-reorganization to offset deficit and improve the Company's financial position.

On November 8, 2013, the SEC approved the Company's application for the debt-to-equity conversion of the debt to MCC and related accrued interest amounting to ₱877.5 million as consideration for the issuance of 4,387,658,975 shares of stock with a par value of ₱0.20 a share (see Note 1). The excess of the carrying amount of the debt of ₱175.5 million that was not covered by the equity conversion was recognized as gain from conversion of debt to equity.

On May 24, 2012, the PSE approved the Company's application to list 503.6 million common shares at ₱0.20 par value to cover its debt-to-equity transaction with MCC at a conversion price of ₱0.20 a share. Consequently, outstanding liability to MCC aggregating ₱100.7 million were reclassified and converted to capital stock in 2012. The excess of the carrying amount of the debt of ₱10.6 million that was not covered by the equity conversion was recognized as gain from conversion of debt to equity.

Equity Restructuring and Decrease in Capital Stock. On November 8, 2013, the SEC approved the equity restructuring of the Company to reduce the deficit as at December 31, 2012 amounting to ₱1,176.3 million against the additional paid-in capital amounting to ₱851.3 million. The SEC also approved the decrease of the Company's capital stock from ₱3.0 billion divided into 15,000,000,000 shares with par value of ₱0.20 a share to ₱1.5 billion divided into 15,000,000,000 shares with par value of ₱0.10 a share.

On January 14, 2014, the SEC approved the Company's further equity restructuring by applying additional paid-in capital of ₱106.4 million to deficit.

13. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

Stockholders and a Subsidiary

The Company has significant transactions with MCC. These are summarized as follows:

- a. Noninterest-bearing cash advances to MCC of ₱55.0 million in 2013.
- b. Advances from MCC include the following:
 - Interest bearing cash advances for the Company's working capital requirements and asset acquisition amounting to ₱88.6 million in 2013 and ₱76.6 million in 2012. Interest amounted to nil, ₱70.8 million and ₱147.8 million in 2014, 2013 and 2012, respectively,
 - Transfer of 300 million Company shares to AMC and another 300 million Company shares to PMC equivalent to ₱444.0 million and ₱20.0 million reimbursement of costs on pre-exploration activities as consideration under the MOAs for the acquisition of mining rights (see Notes 1 and 14).
- c. Management fee of nil and ₱11.9 million in 2014 and 2013, respectively.

Payables to MCC aggregating ₱106.4 million and ₱877.5 million were subject to debt-to-equity conversion in 2014 and 2013, respectively (see Note 1).

The Company also has non-interest bearing cash advances to MRC Surigao for its working capital requirements amounting to ₱8.1 million and ₱3.8 million as at December 31, 2014 and 2013, respectively.

Non-interest bearing cash advances to a stockholder amounted to ₱33.0 million as at December 31, 2014 and 2013.

Other Related Parties

Transactions with other related parties mainly consist of the following:

- a. The Company transferred real estate projects with a carrying value of ₱278.4 million to Asian Appraisal Holdings Inc. (AAHI), a stockholder, in full settlement of obligations to AAHI amounting to ₱122.3 million in 2002. The difference between the carrying values of the obligations settled and the real estate properties transferred amounting to ₱156.1 million was recorded under "Due from related parties" account in the consolidated statements of financial position. The receivable was provided with full valuation allowance because AAHI is in financial difficulty.
- b. Air Liquide, Inc., an associate in prior years, repurchased its own shares of stock from the Company in August 2004 for a total consideration of ₱15.0 million. The proceeds were used to pay accounts payable, bank loans and related interests amounting to ₱10.1 million. The remaining amount of ₱4.9 million was advanced to Kenyon Holding Corporation (Kenyon), another related party. Noninterest-bearing cash advances to Kenyon, a company owned by certain stockholders/directors of the Company, amounted to ₱4.9 million as at December 31, 2013 and 2012, was recorded under "Due from related parties" account in the separate statements of financial position. The receivables were provided with full valuation allowance because the Company does not expect to collect from Kenyon.
- c. Noninterest-bearing cash advances made to officers amounted to ₱1.3 million as at December 31, 2014 and 2013, respectively.
- d. Compensation of key management personnel of the Company comprised of short-term employee benefits amounted to nil and ₱10.0 million in 2014 and 2013, respectively.

As at December 31, 2014 and 2013, the Company's receivables from AAHI and Kenyon aggregating ₱161.1 million are fully provided with allowance.

A summary of these significant transactions with related parties are as follows:

		Nature of	Transactions during the year		Outstanding Balance	
	Relationship	Transactions	2014	2013	2014	2013
Due from related parties:						
MRC Surigao	Subsidiary	Advances	₱4,339,202	₱3,760,803	₱8,100,005	₱3,760,803
Stockholders	Stockholder	Advances	–	55,000,000	32,976,547	32,976,547
AAHI	Stockholder	Advances	–	–	156,139,289	156,139,289
Kenyon Holdings (Kenyon)	Common control	Advances	–	–	4,943,601	4,943,601
			4,339,202	58,760,803	202,159,442	197,820,240
Less allowance for impairment			–	–	(161,082,890)	(161,082,890)
			₱4,339,202	₱58,760,803	₱41,076,552	₱36,737,350

	Relationship	Nature of Transactions	Transactions during the year		Outstanding Balance	
			2014	2013	2014	2013
Officers	Officers	Trade and other receivables	P--	P72,250	P1,268,351	P1,268,351
Due to related parties:						
Stockholder	Stockholder	Advances	P16,939,278	P12,374,407	P29,313,685	P12,374,407
MCC	Stockholder	Advances	--	88,607,763	--	--
	Stockholder	Interest	--	70,808,173	--	--
		Salaries and management fees	--	11,851,044	--	--
MCC	Stockholder		--	11,851,044	--	--
			P16,939,278	P183,641,387	P29,313,685	P12,374,407
Compensation of key management	Officers	Salaries	P--	P10,000,000	P--	P--

14. Mines Operating Agreements

The Company entered into MOAs for gold and copper covering mining areas where AMC and PMC have applications for EP or Mineral Production Sharing Agreement (MPSA) with the Mines and Geosciences Bureau. These are summarized below:

Date	Location	No. of Hectares
AMC		
November 8, 2010	Kiblawan, Davao del Sur and Columbio, Sultan Kudarat	7,955.7
January 7, 2011	Marihatag, Surigao del Sur	3,759.3
PMC		
February 4, 2011	Paquibato, Mindanao	8,475.6
March 28, 2011	Boston and Cateel, Davao Oriental	4,860.0

In consideration for the MOA dated November 8, 2010, February 4, 2011 and March 28, 2011, the Company agreed to issue 300 million common shares for each MOA or an aggregate of 900 million common shares at P0.20 par value equivalent to 1.8 billion shares at P0.10 par value after the equity restructuring in 2013. The consideration for the MOA dated January 7, 2011, which was entered into by MRC Surigao, is still subject to a separate agreement.

As at December 31, 2011, MCC, a stockholder, has transferred 300 million shares to AMC and 300 million shares to PMC for the consideration under these agreements with a total value of P444.0 million. The shares were valued at the publicly quoted price at the date of issuance. This was recognized by the Company as payable to MCC and classified as due to related parties (see Note 13). The Company has not yet transferred any shares for the MOA dated March 28, 2011, pending final determination of the mining areas by PMC.

Each MOA provides for, among others:

- Reimbursement of pre-exploration activities of P10.0 million with P5.0 million payable within fifteen days from the date of the MOA and another P5.0 million payable within forty-five days from the date of the MOA;

- 3% royalty on gross proceeds or gross sales of all mineral production payable 15 days after every three months commencing at the end of the first full quarter after the commencement of production; and
- ₱2.0 million to ₱3.0 million royalty advances at every anniversary date of the MOA.

Moreover, the Company will assume all financial costs and expenditures and provide all technical expertise, manpower and support to AMC and PMC to get the necessary MPSA for the mining areas and to comply with the tenement requirements to bring the mining agreements into commercial mining production and operation within the earliest time possible. The agreements with the Philippine government shall always be in the name of AMC and PMC with the Company as the operator.

15. General and Administrative Expenses

A breakdown of this account is as follows:

	Note	2014	2013	2012
Management and professional fees	13	₱6,466,292	₱11,851,044	₱29,492,377
Depreciation	9	5,569,445	5,243,435	6,358,200
Salaries, wages and employee benefits	17	3,312,368	3,223,656	3,170,819
Rent	16	888,800	1,107,960	748,800
Entertainment, amusement and recreation		859,724	1,328,693	1,799,122
Communication, light and water		600,245	2,236,283	680,186
Dues and subscriptions		353,574	2,070,088	1,316,664
Fuel and oil		322,134	300,367	348,324
Transportation and travel		90,204	718,260	1,631,366
Supplies		65,905	89,527	246,930
Taxes and licenses		15,960	1,243,441	4,253,052
Others		308,667	1,274,069	400,333
		₱18,853,318	₱30,686,823	₱50,446,173

Others pertain to common expenses, marketing, association dues and other expenses.

16. Operating Lease Commitment

The Company renewed the contract of lease of its office space for another year with an option to renew for a fixed monthly rental of ₱62,400, terms and conditions are the same with the original contract. Under the contract of lease dated December 31, 2010, the Company paid security deposit of ₱124,800, which will be returned at the end of the lease term, will be carried forward in the renewed contract of lease.

Rental expense charged to "General and administrative expenses" account amounted to ₱0.9 million, ₱1.1 million and ₱0.7 million for the years ended December 31, 2014, 2013 and 2012, respectively.

17. Retirement Benefits

The Company has an unfunded, defined benefit pension plan covering all of its permanent employees.

The components of retirement liability recognized in the separate statements of financial position are as follows:

	2014	2013
Balance at beginning of year	₱7,779,025	₱5,644,880
Current service cost	838,315	791,004
Interest cost	385,840	319,500
Actuarial losses	—	1,023,641
Retirement liability	₱9,003,180	₱7,779,025

The changes in the present value of the retirement liability are as follows:

	2014	2013	2012	2011	2010
Balances at beginning of year	₱7,779,025	₱5,644,880	₱965,951	₱830,473	₱709,511
Current service cost	838,315	791,004	793,552	35,821	35,821
Interest cost	385,840	319,500	115,913	99,657	85,141
Increase in DBO due to change in actuarial assumption	—	1,023,641	3,769,464	—	—
Balances at end of year	₱9,003,180	₱7,779,025	₱5,644,880	₱965,951	₱830,473

Present value of defined liability and experience adjustment on retirement liability in 2013 and four previous periods are as follows:

	2014	2013	2012	2011	2010
Present value of DBO	₱9,003,180	₱7,779,025	5,664,880	₱965,951	₱830,473
Experience adjustment gain	—	49,137	29,471	—	—

Components of pension expense (included in "Salaries, wages and employee benefits" under General and administrative expenses) are as follows:

	2014	2013	2012
Current service cost	₱838,315	₱791,004	₱793,552
Interest cost	385,840	319,500	115,913
Pension expense	₱1,224,155	₱1,110,504	₱909,465

The actuarial assumptions used to determine the retirement benefits are as follows:

	2014	2013
Discount rates	4.96%	4.96%
Expected rates of salary increase	10.00%	10.00%

The retirement obligation is subject to several key assumptions. Below shows the sensitivity analysis which has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as at December 31, 2014.

Increase (decrease) in discount rate	Effect on retirement liability	Increase (decrease) in salary rate	Effect on retirement liability
100 bps	₱1,687,172	500 bps	₱11,407,100
(100 bps)	(1,348,025)	(500 bps)	(4,457,197)

The Company's latest actuarial valuation was made in 2013. The Company did not obtain an updated actuarial valuation in 2014 because management has assessed that the effect on the financial statements of the difference between the retirement benefits expense recognized by the Company and that resulting from an updated actuarial valuation is not significant.

18. Income Taxes

The Company has no provision for income tax in 2014 because it is in a taxable loss position. The Company's provision for income tax in 2013 and 2012 represents MCIT.

The Company is an ecozone developer/operator of NCTO and AWT pursuant to Republic Act (RA) No. 7916 as amended by RA No. 8748. As a PEZA-registered developer/operator, the Company is subject to 5% tax on gross income of the PEZA-registered activities in lieu of all national and local taxes.

The Company's non PEZA-registered activities are subject to regular corporate income tax rate.

The Company did not recognize deferred tax assets as it is not probable that sufficient taxable income will be available against which the benefit of the deferred tax assets can be utilized. The components giving rise to deferred tax assets are summarized below:

	2014	2013
Allowance for impairment losses	₱242,973,208	₱242,973,208
NOLCO	237,379,073	362,852,904
Retirement liability	9,003,180	7,779,025
Allowance for probable losses	8,964,946	8,964,946
Excess MCIT	5,828,851	5,828,851
	₱504,149,258	₱628,398,934

Movement in the MCIT is as follows:

Year Incurred	Amount	Expired	Balance	Expiry
2013	₱5,617,346	₱—	₱5,617,346	2016
2012	211,505	—	211,505	2015
	₱5,828,851	₱—	₱5,828,851	

As at December 31, 2014, the Company has NOLCO that can be carried forward and claimed as deduction against the regular taxable income as follows:

Year Incurred	Amount	Utilized	Expired	Balance	Expiry
2014	₱38,778,061	₱—	₱—	₱38,778,061	2017
2012	198,601,012	—	—	198,601,012	2015
2011	198,107,817	33,855,925	164,251,892	—	2014
2010	124,973,573	124,973,573	—	—	2013
	₱540,076,741	₱158,829,498	₱164,251,892	₱237,379,073	

In 2013, the Company used its NOLCO amounting to ₱158.8 million.

The reconciliation of income tax computed using the statutory tax rates to the provision for income tax as shown in the separate statements of comprehensive income follows:

	2014	2013	2012
Income tax computed at statutory income tax rates	(₱12,258,582)	₱48,684,794	(₱61,484,642)
Change in unrecognized deferred tax assets	(37,274,903)	(43,383,556)	19,730,537
Add:			
Expired NOLCO	49,275,568	—	33,784,551
Nondeductible expenses	257,917	316,108	8,181,059
	₱—	₱5,617,346	₱211,505

19. Basic/Diluted Earnings (Loss) Per Share

The following reflects the net loss and share data used in the basic/dilutive loss per share computations:

	2014	2013	2012
Total comprehensive income (loss) (a)	(₱40,861,940)	₱155,641,660	(₱208,929,775)
Weighted average number of outstanding shares (b)	8,512,658,975	4,681,421,200	3,915,173,645
Basic/diluted earnings (loss) per share (a/b)	(₱0.005)	₱0.03	(₱0.05)

The Company has no dilutive potential common shares in 2014, 2013 and 2012.

20. Financial Instruments

Financial Risk Management Objectives and Policies

The Company's principal financial instruments are trade and other receivables, due from related parties, bank loans, trade and other payables and due to related parties. The main purpose of these financial instruments is to finance the Company's operations.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and manage the Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company has exposure to liquidity risk and credit risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Liquidity Risk. The Company's objective is to maintain a balance between continuity of funding and flexibility through the availment of loans and advances from related parties. The Company's financial assets are sufficient to pay the financial liabilities when they fall due.

	2014				
	Total	Contractual Undiscounted Payments			
	Carrying Value	On Demand	< 1 Year	1 to 5 Years	> 5 Years
Bank loans	P25,000,000	P25,000,000	P—	P—	P—
Trade and other payables*	283,287,062	283,287,062	—	—	—
Due to related parties	29,313,685	29,313,685	—	—	—
	P337,600,747	P337,600,747	P—	P—	P—

*Excluding statutory liabilities amounting to P46,740.

	2013				
	Total	Contractual Undiscounted Payments			
	Carrying Value	On Demand	< 1 Year	1 to 5 Years	> 5 Years
Bank loans	P25,000,000	P25,000,000	P—	P—	P—
Trade and other payables	261,278,439	261,278,439	—	—	—
Due to related parties	12,374,407	12,374,407	—	—	—
	P298,652,846	P298,652,846	P—	P—	P—

*Excluding statutory liabilities amounting to P189,333.

Credit Risk. Credit risk refers to the potential loss arising from any failure by counter parties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counter parties to fulfill their obligations on maturity dates or due to adverse market conditions.

Generally, the Company's credit risk is attributable to receivables. It is the Company's policy that customers who wish to trade on credit terms are subject to credit verification procedures. There are no significant concentrations of credit risks.

The Company's receivables, except for certain advances to officers and employees, were fully provided with valuation allowance as at December 31, 2014 and 2013.

Categories and Fair Values of Financial Instruments

The fair values of financial instruments as at December 31, 2014 and 2013 are as follows:

	2014		2013	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets:				
Cash in bank	₱107,471	₱107,471	₱147,832	₱147,832
Trade and other receivables	254,445	254,445	242,980	242,980
Due from related parties	41,076,552	41,076,552	36,737,350	36,737,350
	₱41,438,468	₱41,438,468	₱37,128,162	₱37,128,162
Financial liabilities:				
Bank loans	₱25,000,000	₱25,000,000	₱25,000,000	₱25,000,000
Trade and other payables	283,287,062	283,287,062	261,278,439	261,278,439
Due to related parties	29,313,685	29,313,685	12,374,407	12,374,407
	₱337,647,487	₱337,647,487	₱337,600,747	₱337,600,747

*Excluding statutory liabilities amounting to ₱46,740 and ₱189,333 as at December 31, 2014 and 2013, respectively.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value.

Cash in Bank, Trade and Other Receivables, Bank Loan, Trade and Other Payables and Due from and to Related Parties. The carrying amounts of cash in bank and trade and other receivables approximate their fair values due to the short-term nature of these financial instruments. Similarly, the carrying amounts of trade and other payables and due from and to related parties which are subject to normal trade terms approximate their fair values.

Capital Management

The primary objective of the Company's capital management is to ensure that the Company maintains a strong credit ratings and healthy capital ratios in order to support its operations, pay existing obligations and maximize stockholder value. The Company considers the paid-in capital presented in the separate statements of financial position as its core capital.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may obtain additional advances from related parties, return capital to stockholders or issue new shares. No changes were made in the objectives, policies and processes in 2014 and 2013.

As discussed in Note 1, the Company is continuously undertaking specific actions to improve operations, including restructuring and settlement of outstanding bank loans and communication with prospective investors which are part of the Company's policies and processes in managing its capital.

The Company's debt to equity ratio as at December 31, 2014 and 2013 are shown below:

	2014	2013
Total liabilities	₱376,650,667	₱336,621,204
Total equity	744,437,815	785,299,755
	0.51:1	0.43:1

21. Segment Reporting

The Company has two operating segments: (1) development and sale of real estate project and (2) mining activities.

Operating results of the Company are regularly reviewed by the Company's BOD to make decisions about resources to be allocated to the segment and to assess its performance. Segment expenses are measured in accordance with PFRS. The presentation and classification of segment expenses are consistent with the separate statements of comprehensive income.

The Company has only one geographical segment as all of its assets are located in the Philippines.

Operating segments information is as follows:

	Real Estate		Mining		Total	
	2014	2013	2014	2013	2014	2013
Net income (loss)	(P40,861,940)	P250,180,491	P-	(P93,515,190)	(P40,861,940)	P156,665,301
Assets	P657,088,482	P657,920,959	P464,000,000	P464,000,000	P1,121,088,482	P1,121,920,959
Liabilities	348,243,839	324,035,292	28,406,828	12,585,912	376,650,667	336,621,204
Net assets	308,938,236	333,885,667	435,499,579	451,414,088	744,437,815	785,299,755
Revenue	-	55,000,000	-	-	-	55,000,000
Depreciation	5,569,445	5,243,435	-	-	5,569,445	5,243,435
Interest expense	22,008,622	21,207,017	-	70,808,173	22,008,622	92,015,190

22. Report on the Supplementary Information Required by the Bureau of Internal Revenue (BIR)

Revenue Regulation No. 15-2010

The information for 2014 required by the above regulation is presented below:

Output VAT

The Company has no output VAT for the year ended December 31, 2014.

Input VAT

Movements in the Company's input VAT for the year ended December 31, 2014 follow:

Beginning balance		₱2,129,910
Add: Current year's domestic purchases/payments for:		
Services	₱732,096	87,852
Goods other than capital	2,823,418	338,810
Total input VAT		₱2,556,572

The input VAT is fully provided with allowance for probable losses (see Note 8).

All Other Local Taxes

All other local taxes paid by the Company for the year ended December 31, 2014 consist of:

Business permit	₱14,960
Barangay clearance	1,000
	₱15,960

The above local taxes are lodged under taxes and licenses account in general and administrative expenses.

Withholding Taxes

Withholding Tax - Compensation	₱804,934
Withholding Tax - Expanded	98,863
	₱903,797

Tax Assessment and Cases

The Company has no pending deficiency tax assessment from the BIR and pending tax cases as at December 31, 2014.

Revenue Regulation No. 19-2011

The information for 2014 required by the above regulation is presented below:

Taxable Income

The Company no taxable income for the year ended December 31, 2014.

Deductible Cost of Sales

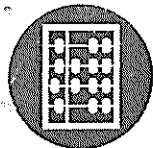
The Company has no deductible cost of sales for the year ended December 31, 2014.

Other Deductible Expenses

Interest expense	₱22,008,622
Salaries, wages and employee benefits	6,417,260
Depreciation	5,569,445
Management and professional fees	2,137,245
Rent	888,800
Communication, light and water	600,245
Dues and subscriptions	353,574
Fuel and oil	322,134
Transportation and travel	90,204
Supplies	65,905
Taxes and licenses	15,960
Others	308,667
	<u>₱38,778,061</u>

The difference between the other deductible expenses shown above and interest expense, mining expenses and general and administrative expenses in the statement of comprehensive income and Notes 13 and 15 aggregating ₱0.9 million pertains to the following:

Retirement expense	₱1,224,155
Nondeductible entertainment, amusement and recreation	859,724
	<u>₱2,083,879</u>



REYES TACANDONG & Co.

FIRM PRINCIPLES. WISE SOLUTIONS.

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November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

REPORT OF INDEPENDENT AUDITOR TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
MRC Allied, Inc.
5th Floor, Eurovilla 4 Building
853 A. Arnaiz Avenue
Makati City

We have audited the accompanying financial statements of MRC Allied, Inc. (the Company) as at and for the year ended December 31, 2014, on which we have rendered our report dated April 7, 2015.

In compliance with Securities Regulation Code Rule 68, we are stating that the Company has six hundred thirty six (636) stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & Co.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

BOA Accreditation No. 4782; Valid until December 31, 2015

SEC Accreditation No. 1021-AR-1 Group A

Valid until November 11, 2016

BIR Accreditation No. 08-005144-5-2013

Valid until November 26, 2016

PTR No. 4748321

Issued January 5, 2015, Makati City

April 7, 2015
Makati City, Metro Manila

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

M	R	C		A	L	L	I	E	D	,		I	N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S

Principal Office (No./Street/Barangay/City/Town) Province)

5	t	h		F	l	o	o	r	,		E	u	r	o	v	i	l	l	a		4		B	u	i	l	d	i	n	g	,		
8	5	3		A	.		A	r	n	a	i	z		A	v	e	n	u	e	,		M	a	k	a	t	i		C	i	t	y	

Form Type

A	A	C	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address

—

Company's Telephone Number/s

634-8387

Mobile Number

—

No. of Stockholders

648

Annual Meeting
Month/Day

Second Monday of May

Fiscal Year
Month/Day

Dec. 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Bernard B. Rabanzo

Email Address

—

Telephone Number/s

(02)846-7910

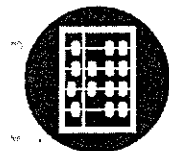
Mobile Number

—

Contact Person's Address

5th Floor, Eurovilla 4 Building, 853 A. Arnaiz Avenue, Makati City
--

Note: 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.



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
MRC Allied, Inc. and Subsidiaries
5th Floor, Eurovilla 4 Building
853 A. Arnaiz Avenue
Makati City

We have audited the accompanying consolidated financial statements of MRC Allied, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years December 31, 2014, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

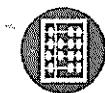
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements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

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MRC Allied, Inc. and Subsidiaries as at December 31, 2014 and 2013 and their financial performance and their cash flows for the years December 31, 2014, 2013 and 2012 in accordance with Philippine Financial Reporting Standards.

Emphasis of a Matter

The accompanying consolidated financial statements have been prepared assuming that MRC Allied, Inc. will continue as a going concern. As discussed in Note 1 to consolidated financial statements, the Company has a property in Naga City, Cebu known as the New Cebu Township One which comprise of parcels of land that is registered with the Philippine Economic Zone Authority and has a fair market value of ₱1.5 billion based on its latest appraisal. The Company is selling portion of this property. Moreover, the Company plans to develop a solar power plant in this property that can either supply electricity to the Visayas grid and/or offer its production to large power consumers within and around Naga City, Cebu. Management is currently negotiating with several interested local and foreign entities concerning the solar project.

A majority stockholder has continuously provided the necessary financial support. The stockholder has converted ₱877.5 million of liabilities into equity in 2013 simultaneous with an equity restructuring. Under the equity restructuring, the Company's capital stock was reduced by reducing the par value per share resulting to an additional paid-in capital of ₱851.3 million which was applied against capital deficit. In 2014, additional paid-in capital of ₱106.4 million was applied against the capital deficit. As of December 31, 2014, the Company has reduced the deficit to ₱138.6 million which resulted to a positive equity of ₱712.7 million.

We have performed the necessary audit procedures to evaluate the ability of the Company to continue as a going concern.

REYES TACANDONG & CO.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

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Issued January 5, 2015, Makati City

April 7, 2015

Makati City, Metro Manila

MRC ALLIED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2014	2013
ASSETS			
Current Assets			
Cash		P115,083	P156,046
Trade and other receivables	6	306,665	295,101
Due from related parties	13	12,584,032	7,830,865
Real estate projects	7	562,805,383	562,805,383
Other current assets	8	1,040,953	614,291
Total Current Assets		576,852,116	571,701,686
Noncurrent Assets			
Property and equipment	9	16,927,987	23,328,633
Exploration and evaluation assets	14	464,252,600	464,252,600
Other noncurrent assets		2,500,000	2,500,000
Total Noncurrent Assets		483,680,587	490,081,233
TOTAL ASSETS		P1,060,532,703	P1,061,782,919
LIABILITIES AND EQUITY			
Current Liabilities			
Bank loans	10	P25,707,812	P25,707,374
Trade and other payables	11	283,840,491	261,974,461
Due to related parties	13	29,313,685	10,168,429
Total Current Liabilities		338,861,988	297,850,264
Noncurrent Liabilities			
Retirement liability	17	9,003,180	7,779,025
Bank loans - net of current portion	10	—	707,812
Total Noncurrent Liabilities		9,003,180	8,486,837
Total Liabilities		347,865,168	306,337,101
Equity			
Capital stock - P0.10 par value in 2014 and 2013			
Authorized shares - 15,000,000,000			
Issued shares - 8,512,658,975 in 2014 and 2013	12	851,265,898	851,265,898
Additional paid-in capital	12	—	106,418,045
Deficit	1	(138,598,363)	(202,238,125)
Total Equity		712,667,535	755,445,818
TOTAL LIABILITIES AND EQUITY		P1,060,532,703	P1,061,782,919

See accompanying Notes to Consolidated Financial Statements.

MRC ALLIED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2014	2013	2012
SALES		P—	P55,000,000	P—
COST OF SALES		—	43,550,551	—
GROSS PROFIT		—	11,449,449	—
EXPENSES				
Interest and penalties	10	22,231,151	92,366,020	165,152,715
General and administrative	15	20,553,276	33,190,085	55,233,402
Mining expenses	1	—	1,500,000	11,074,945
Other charges - net	6	—	—	1,062,837
		42,784,427	127,056,105	232,523,899
OTHER INCOME				
Interest income		6,144	—	—
Gain from conversion of debt to equity	12	—	175,506,359	10,575,248
Gain from reversal of long outstanding payables	11	—	93,911,506	—
Reversal of allowance for probable loss	8	—	5,617,346	—
		6,144	275,035,211	10,575,248
INCOME (LOSS) BEFORE INCOME TAX		(42,778,283)	159,428,555	(221,948,651)
CURRENT INCOME TAX EXPENSE	18	—	5,617,346	211,505
NET INCOME (LOSS)		(42,778,283)	153,811,209	(222,160,156)
OTHER COMPREHENSIVE LOSS				
<i>Not to be reclassified in profit or loss when realized</i>				
Remeasurements of retirement liability	17	—	(1,023,641)	(3,769,464)
TOTAL COMPREHENSIVE INCOME (LOSS)		(P42,778,283)	P152,787,568	(P225,929,620)
BASIC/DILUTED EARNINGS (LOSS) PER SHARE	19	(P0.005)	P0.03	(P0.06)

See accompanying Notes to Consolidated Financial Statements.

MRC ALLIED, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 and 2011**

	Capital Stock (Notes 1 and 12)	Additional Paid-In Capital (Notes 1 and 12)	Deficit (Notes 1 and 17)	Total
Balances at December 31, 2013	₱851,265,898	₱106,418,045	(₱202,238,125)	₱755,445,818
Equity restructuring	—	(106,418,045)	106,418,045	—
Net loss	—	—	(42,778,283)	(42,778,283)
Balances at December 31, 2014	₱851,265,898	₱—	(₱138,598,363)	₱712,667,535
Balances at December 31, 2012	₱825,000,000	₱281,924,404	(₱1,206,291,591)	(₱99,367,187)
Issuance of shares	877,531,796	(175,506,359)	—	702,025,437
Reduction of par value per share	(851,265,898)	851,265,898	—	—
Equity restructuring	—	(851,265,898)	851,265,898	—
Remeasurement of retirement liability (Note 17)	—	—	(1,023,641)	(1,023,641)
Net income	—	—	153,811,209	153,811,209
Balances at December 31, 2013	₱851,265,898	₱106,418,045	(₱202,238,125)	₱755,445,818
Balances at December 31, 2011	₱724,283,349	₱292,499,652	(₱980,361,971)	₱36,421,030
Issuance of shares	100,716,651	(10,575,248)	—	90,141,403
Remeasurement of retirement liability (Note 17)	—	—	(3,769,464)	(3,769,464)
Net loss	—	—	(222,160,156)	(222,160,156)
Balances at December 31, 2012	₱825,000,000	₱281,924,404	(₱1,206,291,591)	(₱99,367,187)

See accompanying Notes to Consolidated Financial Statements.

MRC ALLIED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		(P42,778,283)	P159,428,555	(P221,948,651)
Adjustments for:				
Interest and penalties	10	22,231,151	92,366,020	165,152,715
Depreciation and amortization	9	6,400,646	6,166,138	6,753,702
Retirement benefits	17	1,224,155	1,110,504	909,465
Interest income		(6,144)	—	—
Gain from conversion of debt to equity	12	—	(175,506,359)	(10,575,248)
Gain from reversal of long outstanding trade and other payables	11	—	(93,911,506)	—
Reversal of allowance for probable losses	8	—	(5,617,346)	—
Provision for impairment	6	—	—	1,062,837
Operating loss before working capital changes		(12,928,475)	(15,963,994)	(58,645,180)
Decrease(increase) in:				
Trade and other receivables		(11,564)	(124,371)	(1,207,967)
Real estate projects		—	(11,449,449)	—
Due from related parties		(4,753,167)	48,429,495	(1,157,181)
Other current assets		(426,662)	(628,560)	—
Increase (decrease) in trade and other payables		(365,121)	(28,828,220)	16,106,638
Net cash used in operating activities		(18,484,989)	(8,565,099)	(44,903,690)
Interest received		6,144	—	—
Net cash used in operating activities		(18,478,845)	(8,565,099)	(44,903,690)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment		—	(11,357)	—
Increase in other noncurrent assets		—	(252,600)	—
Net cash used in investing activities		—	(263,957)	—
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in due to related parties		19,145,256	9,465,607	44,876,556
Payment of bank loans		(707,374)	(579,075)	—
Net cash provided by financing activities		18,437,882	8,886,532	44,876,556
NET INCREASE (DECREASE) IN CASH		(40,963)	57,476	(27,134)
CASH AT BEGINNING OF YEAR		156,046	98,570	125,704
CASH AT END OF YEAR		P115,083	P156,046	P98,570

(Forward)

Years Ended December 31				
	Note	2014	2013	2012
NONCASH FINANCIAL INFORMATION				
Debt-to-equity conversion	12	₱106,418,045	₱877,531,796	₱100,716,651
Reduction of par value		—	(851,265,898)	—
Advances by related parties for property and equipment acquisitions		—	—	19,087,976
		₱106,418,045	₱26,265,898	₱119,804,627

See accompanying Notes to Consolidated Financial Statements.

MRC ALLIED, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

MRC Allied, Inc., singly and collectively with subsidiaries, is referred herein as “the Company”.

The Company was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 20, 1990. The Company is primarily engaged in the development and sale of real estate. The Company’s shares are publicly traded in the Philippine Stock Exchange (PSE).

In 1995, the Company listed its entire 500,000,000 common shares in the PSE with an initial public offering share price of ₱3.00 a share. The PSE also approved additional listing of the Company’s common shares to cover debt-to-equity conversion that were made on the following dates:

- March 25, 2010 – 3,121,416,745 shares at ₱0.20 a share
- May 24, 2012 – 503,583,255 shares at ₱0.20 a share

On May 24, 2012, the PSE approved the Company’s application to list 503.6 million common shares at ₱0.20 par value to cover its debt-to-equity transaction with Menlo Capital Corporation (MCC) at a conversion price of ₱0.20 a share. Consequently, outstanding liability to MCC aggregating ₱100.7 million were reclassified and converted to capital stock in 2012.

On November 8, 2013, the SEC approved the (1) debt-to-equity conversion of payable to a stockholder amounting to ₱877.5 million as consideration for the issuance of 4,387,658,975 shares of stock with a par value of ₱0.20 per share and, (2) the Company’s equity restructuring. Under the equity restructuring, the Company’s capital stock was reduced by reducing the par value of shares from ₱0.20 to ₱0.10 and the resulting additional paid-in capital of ₱851.3 million. This was applied against the Company’s deficit (see Note 12).

The excess of the value of the shares issued at par value at which price the debt to equity conversion was made over the market value of the shares at the date of issuance amounting to ₱175.5 million in 2013 and ₱10.6 million in 2012, was recognized as gain from conversion of debt to equity.

On January 14, 2014, the SEC approved the Company’s further equity restructuring by applying additional paid-in capital of ₱106.4 million to deficit.

As at December 31, 2014 and 2013, the total number of shares owned by the public aggregated 4,091,535,249 shares and 3,986,656,742 shares, respectively, representing 48.06% and 46.83% of the total issued shares and outstanding.

The Company's subsidiaries which were incorporated in the Philippines are as follows:

Subsidiaries	Date of Incorporation	Nature of Business	% of Ownership
MRC Tampakan Mining Corporation (MRC Tampakan)	2011	Mining	100.00
MRC Surigao Mines, Inc. (MRC Surigao)	2011	Mining	100.00
Makrubber Corporation (Makrubber)	1990	Processing and export of natural rubber products	100.00

Makrubber has ceased commercial operations in 2011.

MRC Surigao and MRC Tampakan has not started commercial operations. These consolidated subsidiaries were incorporated in July 2011 with capitalization of ₱5.0 million each.

The Company's registered principal and business address is at 5th Floor, Eurovilla 4 Building, 853 A. Arnaiz Avenue, Makati City.

The consolidated financial statements as at and for the years ended December 31, 2014, 2013 and 2012 were approved and authorized for issue by the Company's Board of Directors (BOD) on April 7, 2015.

Status of Operations

The Company has incurred a deficit mainly because of losses from operations. However, because of the debt-to-equity conversion in 2013 and 2012 and the equity restructuring in 2014 and 2013, it has reduced its deficit to ₱138.6 million which resulted to a positive equity of ₱712.7 million as at December 31, 2014.

To generate profits to sustain operations, management plans are the following:

a. Real Estate

The Company has two land banks consisting of 160 hectare industrial estate in Naga City, Cebu known as the New Cebu Township One (NCTO) and 700 hectares of raw land in San Isidro Municipality, Leyte known as Amihan Woodlands Township (AWT) (see Note 7).

The NCTO comprises of parcels of land that is registered with the Philippine Economic Zone Authority (PEZA).

Based on the latest appraisal, the properties have a fair market value of ₱1.5 billion. The Company is selling portion of this properties.

b. Solar Power Plant

The Company plans to develop in NCTO at least 50 megawatt solar power plant that can either supply electricity to the Visayas grid and/or offer its production to large power consumers within and around Naga City, Cebu. Management is currently negotiating with several interested local and foreign entities concerning the solar project. The renewable energy venture of the Company will be subjected to the approval by the stockholders.

c. Mining

The Company entered into Mines Operating Agreements (MOA) for gold and copper with Alberto Mining Corporation (AMC) and Pensons Mining Corporation (PMC) (see Note 14) for the exploration and evaluation of the following mining sites:

Location	No. of Hectares
Kiblawan, Davao del Sur and Columbio, Sultan Kudarat	7,955.7
Marihatag, Surigao del Sur	3,759.3
Paquibato, Mindanao	8,475.6
Boston and Cateel, Davao Oriental	4,860.0

Exploration and evaluation assets recognized in the consolidated statements of financial position amounted to ₱464.3 million as at December 31, 2014 and 2013. These comprised of 600.0 million shares of consideration paid to AMC and PMC equivalent to ₱444.0 million and ₱20.0 million (see Note 13) paid for the reimbursement of costs on pre-exploration activities.

The above mining sites have an ongoing application for Exploration Permit (EP) with the Mines and Geoscience Bureau (MGB). MGB informed the Company that its application is already in the final stage and it is set to issue a memorandum advice containing the result of their evaluation of the applications. The memorandum advice and the compliance by the Company therein will lead to the issuance of the clearance for the approval of the application for EP.

The ability of the Company to continue as a going concern depends largely on its successful implementation of the above management action plan.

2. Basis of Preparation and Statement of Compliance

The consolidated financial statements have been prepared on the historical cost basis and are presented in Philippine Peso, the Company's functional currency. All values represent absolute amounts except when otherwise stated. Moreover, the consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Financial Reporting Standards Council (FRSC) and adopted by the SEC. The financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

3. Summary of Changes in PFRS

Adoption of New and Revised PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and revised PFRS which the Company adopted effective January 1, 2014:

- Amendments to PAS 32, *Financial Instruments: Recognition - Offsetting Financial Assets and Financial Liabilities* – The amendments address inconsistencies in current practice when applying the offsetting criteria in PAS 32. The amendments clarify (1) the meaning of 'currently has a legally enforceable right of set-off'; and (2) that some gross settlement systems may be considered equivalent to net settlement.

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

The adoption of the foregoing new and revised PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2014 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after July 1, 2014:

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* – The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans.
- Amendments to PAS 24, *Related Party Disclosures - Key Management Personnel* – The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.
- Amendments to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables* – The amendments clarify that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. It also clarifies that the scope of the portfolio exception includes all contracts accounted for within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities.

Effective for annual periods beginning on or after January 1, 2015:

- PFRS 9, *Financial Instruments: Classification and Measurement* – This standard is the first phase in replacing PAS 39 and applies to classification and measurement of financial assets as defined in PAS 39.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS are not expected to have any material effect on the financial statements. Additional disclosures will be included in the financial statements, as applicable.

4. Summary of Significant Accounting Policies

The significant accounting policies summarized below have been consistently applied by the Company to all years presented in the consolidated financial statements.

Basis of Consolidation

The Company consolidates the financial statements of the parent company and all of its subsidiaries as at December 31, 2014. The parent company controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has ability to affect those returns through its powers over the subsidiary. All subsidiaries have a reporting date of December 31. All transactions and balance between the companies are eliminated on consolidation, including unrealized gains and losses on transactions between the companies. Subsidiaries are consolidated at the time of acquisition until disposed of.

Financial Assets and Financial Liabilities

Date of Recognition. The Company recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable is done using settlement date accounting.

Initial recognition. Financial assets and liabilities 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.

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

As at December 31, 2014 and 2013, the Company does not have financial assets and liabilities at FVPL, AFS financial assets and HTM investments.

Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in

current assets if maturity is within 12 months from the reporting date, otherwise, these are classified as noncurrent assets.

This category includes cash, trade and other receivables, due from related parties and deposits.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations and other liabilities not covered by other accounting standards, such as income tax payable. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This category includes trade and other payables, due to related parties and bank loans.

Impairment of Financial Assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For loans and receivables, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the consolidated statements of comprehensive income. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the "Other income" account.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

Derecognition of Financial Instruments

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

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

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

Offsetting of Financial Instruments

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

Other Current Assets

Other current assets consist of prepayments, creditable withholding tax, deposits and input VAT.

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 recognized in profit or loss as these are consumed in operations or expire with the passage of time.

Prepayments are classified in the consolidated statements of financial position as current assets when the cost of goods and services related to the prepayment are expected to be incurred within one year or the Company's operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

Creditable Withholding Taxes (CWTs). CWTs represent taxes withheld by the Company's customers required under Philippine taxation laws and regulations. CWTs are recognized as asset and will be used to offset against the Company's income tax liability. CWTs are stated at their estimated net realizable value (NRV).

Deposits. Deposits represent payments made in relation to the lease and other agreements entered into by the Company. These are carried at cost and will generally be applied as lease payment or final payment at the end of the agreements.

Input Value-added Tax (VAT). Input VAT represents tax imposed on the Company by its suppliers for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT are recognized as an asset and will be used to offset the Company's current VAT liability. Input VAT is stated at NRV.

Property and Equipment

Property and equipment except land, are stated at cost less accumulated depreciation, amortization and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are recognized in the consolidated statements of comprehensive income 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 property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment. Cost also includes any asset retirement obligation and interest on borrowed funds used. When assets are sold or retired, their cost and accumulated depreciation and amortization and any impairment loss are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statements of comprehensive income.

Land is not depreciated. Depreciation and amortization are calculated on a straight-line basis over the useful lives of the assets. The useful lives of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The assets' residual values, useful lives and method of depreciation and amortization are reviewed, and adjusted if appropriate, at the end of each reporting period.

The estimated useful lives of items of property and equipment are as follows:

	Number of Years
Transportation equipment	5
Furniture, fixtures and equipment	2-3
Land improvements	2-5

Exploration and Evaluation Assets

Exploration and evaluation assets represent the Company's acquired rights to do exploration and evaluation of certain mining areas. Expenditures for mine exploration work prior to and subsequent to drilling are deferred as incurred. 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.

Impairment of Nonfinancial Assets

Nonfinancial assets consisting of property and equipment, exploration and evaluation assets and other noncurrent assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of comprehensive income.

Fair Value Measurement

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 the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the 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 7 and 20.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and number of shares issued. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of tax, from the proceeds.

When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Retained Earnings (Deficit)

Retained earnings (deficit) represents cumulative balance of net income or loss, net of any dividend declaration. Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period. Deficit may also include effect of changes in accounting policy as may be required by the transitional provisions of new and amended standards.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured.

Sales. Revenue from sale of real estate is recognized when the significant risks and rewards of ownership of the properties have passed to the buyer. Revenue is measured at the fair value of the consideration received.

Interest. Interest income is recognized as it accrues based on the effective interest method.

Other Income. Revenue is recognized as it accrues.

Expenses

Expenses are recognized and charged to operations as incurred. These include expenses such as salaries, wages and employee benefits, transportation and travel, management and professional fees, depreciation and amortization and other expenses. These expenses are incurred in the administration of the business as incurred by the administrative departments.

Operating Lease

Operating lease represents lease under which substantially all the risks and rewards of ownership of the leased assets are retained by the lessor. Operating lease payments are recognized as expense on a straight-line basis over the lease term in the consolidated statements of comprehensive income.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditure and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. All other borrowing costs are expensed in the period they occur. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Employee Benefits

Short-term Benefits. The Company provides short-term benefits to its employees in the form of basic salary, 13th month pay, bonuses, employer's share on government contribution, and other short-term benefits.

Retirement Benefits. The Company has a non-contributory defined benefit retirement plan covering all qualified employees. The retirement benefits cost 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 Company recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailment and non-routine settlements; and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the retirement liability. Past service cost are recognized in profit or loss on the earlier of the date of the plan amendment curtailment, and the date the Company recognizes restructuring related costs.

Remeasurements comprising actuarial gains and losses, return on plan assets and any changes in effect of the asset ceiling (excluding net interest on retirement liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement liability is the aggregate of the present value of the retirement liability.

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

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been 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, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset 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 asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized under other comprehensive income and outside profit or loss.

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

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

Contingencies

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

Events After the Reporting Period

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

Earnings (Loss) Per Share (EPS)

The Company presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the net income (loss) attributable to stockholders of the Company by the weighted average number of ordinary shares issued and outstanding during the period after giving retroactive effect to any stock dividends declared. Diluted EPS is calculated in the same manner, adjusted for the effects of any dilutive potential ordinary shares. Where the effect of the dilutive potential ordinary shares would be anti-dilutive, basic and diluted EPS are stated at the same amount.

Segment Reporting

An operating segment is a component of an entity: (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

5. Significant Accounting Judgments, Estimates and Assumptions

The consolidated financial statements prepared under PFRS require management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as these become more reasonably determinable.

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

Judgments

In the process of applying the Company's policies, management has made a certain judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

Determining Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine Peso. It is the currency of the primary economic environment in which the Company operates.

Operating Lease Commitments. The Company has entered into lease agreements as a lessee. Critical judgment was exercised by management to distinguish such lease agreement as an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements (see Note 16).

Rent expense amounted to ₱0.9 million, ₱1.1 million and ₱0.7 million for the years ended December 31, 2014, 2013 and 2012, respectively (see Note 16).

Contingencies. The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with legal counsel handling the Company's defense in these matters and is based upon an analysis of potential results. As at December 31, 2013, the Company is involved in litigations and claims, which arise in the normal course of business. Management and its legal counsel believe, however, that the ultimate outcome of these cases will not materially affect the Company's financial position, financial performance and cash flows. No provision for probable losses arising from legal contingencies was recognized in the consolidated financial statements as at December 31, 2014 and 2013.

Estimates and Assumptions

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

Impairment of Loans and Receivables. The Company assesses whether objective evidence of impairment exists for receivables that are individually significant and collectively for receivables that are not individually significant. Allowance for impairment is maintained at a level considered adequate to provide for potentially uncollectible receivables.

Allowance for impairment losses of trade and other receivables amounted to ₱81.9 million as at December 31, 2014 and 2013, respectively. The aggregate carrying values of trade and other receivables amounted to ₱0.3 million as at December 31, 2014 and 2013, respectively (see Note 6).

Allowance for impairment losses of due from related parties amounted to ₱161.1 million as at December 31, 2014 and 2013, respectively. The total carrying amount of due from related parties amounted to ₱12.6 million and ₱7.8 million as at December 31, 2014 and 2013, respectively (see Note 13).

NRV of Real Estate Projects. The Company assess whether the carrying amounts of its real estate projects exceeds its NRV. The Company recognizes allowance for probable losses on its real estate projects when the carrying value exceeds NRV. No allowance for probable losses was recognized in 2014 and 2013 because the NRV of the real estate projects is higher than the carrying values.

The carrying value of the real estate projects both amounted to ₱562.8 million as at December 31, 2014 and 2013, respectively. The fair value of the real estate projects aggregated ₱1,541.3 million as at December 31, 2014 and 2013 (see Note 7).

Useful Lives of Property and Equipment. The Company estimates the useful life of each property and equipment based on the period over which the property and equipment are expected to be available for use or until the end of useful life, whichever is shorter. The estimated useful lives of property and equipment are reviewed at each financial year-end and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of property and equipment. In addition, the estimation of the useful lives of property and equipment are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for the period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded expense and decrease the property and equipment account. There is no change in the estimated useful lives of property and equipment in 2014 and 2013.

As at December 31, 2014 and 2013, the aggregate carrying value of property and equipment amounted to ₱16.9 million and ₱23.3 million, respectively (see Note 9).

Impairment of Property and Equipment. PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the recoverable amount of property and equipment which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets requires the Company to make estimates and assumptions that can materially affect its financial statements. Future events could cause the Company to conclude that the property and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

No impairment losses on property and equipment were recognized in 2014 and 2013. As at December 31, 2014 and 2013, the aggregate carrying value of property and equipment amounted to ₱16.9 million and ₱23.3 million, respectively (see Note 9).

Recoverability of Exploration and Evaluation Assets. The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether the future economic benefits are likely, based on assumptions made and may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written-off in the consolidated statements of comprehensive income in the period when the new information becomes available. The Company reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable and exceeds their fair value.

The mining sites have an ongoing application for EP with the MGB which is already in the final stage and it is set to issue a memorandum advice containing the result of their evaluation of the applications. The memorandum advice and the compliance by the Company therein will lead to the issuance of the clearance for the approval of the application for EP.

No impairment losses on exploration and evaluation assets were recognized in 2014 and 2013. As at December 31, 2014 and 2013, the exploration and evaluation assets amounted to ₱464.3 million, respectively (see Note 14).

Realizability of Deferred Tax Assets. The Company reviews its deferred income tax asset at the end of each reporting period and reduces the carrying amount 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 asset to be utilized. Management believes that there is no assurance that the Company will generate sufficient taxable profit to allow all or part of its deferred tax asset as at December 31, 2014 and 2013 to be utilized. The Company did not recognize deferred tax assets on deductible temporary differences, excess MCIT and NOLCO as at December 31, 2014 and 2013 (see Note 18).

Impairment Losses on Other Current Assets. Assets are reviewed and tested whenever there is an indication of impairment and are reassessed at least at the end of each reporting period. Factors such as changes in projected future operating results or significant negative industry or economic trends are considered by the Company in determining indication that no future benefit will be realized from the asset.

Allowance for probable loss of other current assets amounted to ₱ 9.0 million as at December 31, 2014 and 2013. The carrying amount of other current assets as at December 31, 2014 and 2013 amounted to ₱1.0 million and ₱0.6 million, respectively (see Note 8).

Retirement Benefits. The determination of the obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions, which include among others, discount rates and rates of compensation increase, are indicated in Note 17. In accordance with PAS 19, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligation.

As at December 31, 2014 and 2013, retirement liability amounted to ₱ 9.0 million and ₱7.8 million, respectively (see Note 17).

Financial Assets and Liabilities. The Company carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence (i.e., interest rates, volatility rates). The amount of changes in fair value would differ if the Company utilized different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect directly the Company's profit and loss and equity.

The carrying value and fair value of the financial assets and liabilities as at December 31, 2014 and 2013 are disclosed in Note 20.

6. Trade and Other Receivables

This account consists of:

	2014	2013
Trade receivables	₱66,405,978	₱66,405,978
Advances to:		
Suppliers	13,203,767	13,192,302
Officers and employees	1,320,571	1,320,472
Others	1,266,667	1,266,667
	82,196,983	82,185,419
Less allowance for impairment	81,890,318	81,890,318
	₱306,665	₱295,101

Trade receivables represent the unpaid balances from real estate developers and customers. Advances to suppliers represent receivables from suppliers in relation to acquisition of raw materials and supplies. Other receivables represent receivables from various individuals arising from various transactions related to the sale of real estate projects and advance rentals.

Trade and other receivables have been provided with valuation allowance except for certain advances to officers and employees. These advances are generally due and demandable.

The movements in the allowance for impairment are as follows:

	2014	2013
Balance at beginning of year	₱81,890,318	₱82,953,155
Write off during the year	—	(1,062,837)
Balance at end of year	₱81,890,318	₱81,890,318

7. Real Estate Projects

This account consists of:

	Note	2014	2013
AWT	1	₱359,257,715	₱359,257,715
NCTO	1	203,547,668	203,547,668
		₱562,805,383	₱562,805,383

These properties are valued at ₱469.6 million and ₱1,071.7 million for NCTO and AWT, respectively, based on a valuation conducted by an independent appraiser on March 31, 2011. The independent appraiser used the sales comparison approach. This fair value measurement is categorized as Level 3 (significant unobservable input). Management believes that this value is still indicative of the fair value of the properties as at December 31, 2014 and 2013.

There were no capitalized borrowing cost as at December 31, 2014 and 2013.

8. Other Current Assets

This account consists of:

	2014	2013
Creditable withholding tax	₱3,713,884	₱3,713,884
Deposits	3,653,263	3,653,263
Input VAT	2,556,572	2,129,910
Prepaid - others	82,180	82,180
	10,005,899	9,579,237
Less allowance for probable losses	8,964,946	8,964,946
	₱1,040,953	₱614,291

Movements in the allowance for probable losses are as follows:

	2014	2013
Beginning balance	₱8,964,946	₱14,582,292
Reversal allowance for probable loss	—	(5,617,346)
Ending balance	₱8,964,946	₱8,964,946

9. Property and Equipment

Movements of this account are as follows:

		December 31, 2014					
Note	Land	Transportation Equipment	Furniture, Fixtures and Equipment	Land Improvements	Gold Processing Plant and Mine Tunnels	Total	
Cost							
Balances at beginning and end of year	₱1,045,000	₱52,799,726	₱2,432,351	₱7,076,743	₱4,411,310	₱67,765,130	
Accumulated Depreciation and Amortization							
Balances at beginning of year	—	35,204,915	2,154,839	7,076,743	—	44,436,497	
Depreciation and amortization 15	—	6,163,004	237,642	—	—	6,400,646	
Balances at end of year	—	41,367,919	2,392,481	7,076,743	—	50,837,143	
Net Book Values	₱1,045,000	₱11,431,807	₱39,870	₱—	₱4,411,310	₱16,927,987	

December 31, 2013						
Note	Land	Transportation Equipment	Furniture, Fixtures and Equipment	Land Improvements	Gold Processing Plant and Mine Tunnels	Total
Cost						
Balances at beginning of year	₱1,045,000	₱52,799,726	₱2,420,994	₱7,076,743	₱4,411,310	₱67,753,773
Additions	—	—	11,357	—	—	11,357
Balances at end of year	1,045,000	52,799,726	2,432,351	7,076,743	4,411,310	67,765,130
Accumulated						
Depreciation and Amortization						
Balances at beginning of year	—	29,313,353	1,880,263	7,076,743	—	38,270,359
Depreciation and amortization 15	—	5,891,562	274,576	—	—	6,166,138
Balances at end of year	—	35,204,915	2,154,839	7,076,743	—	44,436,497
Net Book Values	₱1,045,000	₱17,594,811	₱277,512	₱—	₱4,411,310	₱23,328,633

10. Bank Loans

This account consists of the following:

Note	2014	2013
Parent company	₱25,000,000	₱25,000,000
MRC Surigao	707,812	1,415,186
	25,707,812	26,415,186
Less noncurrent portion	—	(707,812)
	₱25,707,812	₱25,707,374

The loan of the parent company represents a due and demandable bank loan obtained from First Metro Investment Corporation (FMIC) amounting to ₱25.0 million, with interest rates ranging from 12.0% to 19.5% a year. Interest and penalties amounted to ₱22.0 million, ₱21.2 million and ₱17.3 million in 2014, 2013 and 2012, respectively. Accrued interest and penalties amounted to ₱270.5 million and ₱248.5 million as at December 31, 2014 and 2013, respectively (see Note 11).

The loan of MRC Surigao pertains to a promissory note obtained on October 18, 2012 from United Coconut Planters Bank (UCPB) with a face amount of ₱2,080,000. The note bears 16% - 20% interest a year and is payable every 25th day of the month starting November 2012. Noncurrent portion amounts to nil and ₱707,812 as at December 31, 2014 and 2013, respectively. Interest expense arising from this loan amounted to ₱222,529, ₱350,830 and ₱74,834 in 2014, 2013 and 2012, respectively.

Interest and penalties comprised of:

Note	2014	2013	2012
Parent Company's loan	₱22,008,622	₱21,207,017	₱17,290,935
Advances from MCC	—	70,808,173	147,786,946
MRC Surigao's promissory note	222,529	350,830	74,834
	₱22,231,151	₱92,366,020	₱165,152,715

11. Trade and Other Payables

This account consists of:

	Note	2014	2013
Accounts payable		₱506,689	₱506,689
Accruals:			
Interest and penalties	10	270,463,604	248,454,982
Project costs		9,619,346	9,619,346
Salaries and benefits		3,204,111	3,204,111
Others		46,741	189,333
		₱283,840,491	₱261,974,461

In 2013, accounts payable amounting to ₱93.9 million were reversed and gain from reversal of long outstanding trade and other payables was recognized. These payables pertain to payable to contractors, trade and non-trade suppliers.

12. Capital Stock

The movements of authorized capital stock and numbers of shares issued and outstanding are as follows:

	Authorized Capital Stock	Issued and Outstanding
No. of shares at December 31, 2013	15,000,000,000	8,512,658,975
Issuance of shares	—	—
No. of shares at December 31, 2014	15,000,000,000	8,512,658,975
No. of shares at December 31, 2012	15,000,000,000	4,125,000,000
Issuance of shares	—	4,387,658,975
No. of shares at December 31, 2013	15,000,000,000	8,512,658,975
No. of shares at December 31, 2011	15,000,000,000	3,621,416,745
Issuance of shares	—	503,583,255
No. of shares at December 31, 2012	15,000,000,000	4,125,000,000

Par Value. Par value of share is ₱0.10 a share in 2014 and 2013 and ₱0.20 a share in 2012.

Debt-to-Equity Conversion. On February 28, 2013 the stockholders approved a debt-to-equity conversion of up to ₱1.0 billion worth of previously contracted debt to MCC at conversion price of ₱0.20 a share and the decrease in par value of the shares from ₱0.20 to ₱0.10 a share with a resulting additional paid in capital of ₱851.3 million to implement a quasi-reorganization to offset deficit and improve the Company's financial position.

On November 8, 2013, the SEC approved the Company's application for the debt-to-equity conversion of the debt to MCC and related accrued interest amounting to ₱877.5 million as consideration for the issuance of 4,387,658,975 shares of stock with a par value of ₱0.20 a share (see Note 1). The excess of the carrying amount of the debt of ₱175.5 million that was not covered by the equity conversion was recognized as gain from conversion of debt to equity.

On May 24, 2012, the PSE approved the Company's application to list 503.6 million common shares at ₱0.20 par value to cover its debt-to-equity transaction with MCC at a conversion price of ₱0.20 a share. Consequently, outstanding liability to MCC aggregating ₱100.7 million were reclassified and converted to capital stock in 2012. The excess of the carrying amount of the debt of ₱10.6 million that was not covered by the equity conversion was recognized as gain from conversion of debt to equity.

Equity Restructuring and Decrease in Capital Stock. On November 8, 2013, the SEC approved the equity restructuring of the Company to reduce the deficit as at December 31, 2012 amounting to ₱1,176.3 million against the additional paid-in capital amounting to ₱851.3 million. The SEC also approved the decrease of the Company's capital stock from ₱3.0 billion divided into 15,000,000,000 shares with par value of ₱0.20 a share to ₱1.5 billion divided into 15,000,000,000 shares with par value of ₱0.10 a share.

On January 14, 2014, the SEC approved the Company's further equity restructuring by applying additional paid-in capital of ₱106.4 million to deficit.

13. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

Stockholders

The Company has significant transactions with MCC. These are summarized as follows:

- a. Noninterest bearing cash advances to MCC of ₱55.0 million in 2013. Outstanding balance of advances amounted to ₱33.0 million as at December 31, 2014 and 2013.
- b. Advances from MCC include the following:
 - Interest bearing cash advances for the Company's working capital requirements and asset acquisition amounting to nil in 2014 and ₱88.6 million in 2013. Interest amounted to nil, ₱70.8 million and ₱147.8 million in 2014, 2013 and 2012, respectively.
 - Transfer of 300,000,000 Company shares to AMC and another 300 million Company shares to PMC equivalent to ₱444.0 million and ₱20.0 million reimbursement of costs on pre-exploration activities as consideration under the MOAs for the acquisition of mining rights (see Notes 1 and 14).
- c. Management fee of nil and ₱11.9 million in 2014 and 2013, respectively.

Payables to MCC aggregating ₱106.4 million and ₱877.5 million were subject to debt-to-equity conversion in 2014 and 2013, respectively (see Note 1).

Other Related Parties

Transactions with other related parties mainly consist of the following:

- The Company transferred real estate projects with a carrying value of ₱278.4 million to Asian Appraisal Holdings Inc. (AAHI), a stockholder, in full settlement of obligations to AAHI amounting to ₱122.3 million in 2002. The difference between the carrying values of the obligations settled and the real estate properties transferred amounting to ₱156.1 million was recorded under "Due from related parties" account in the consolidated statements of financial position. The receivable was provided with full valuation allowance because AAHI is in financial difficulty.
- Air Liquide, Inc., an associate in prior years, repurchased its own shares of stock from the Company in August 2004 for a total consideration of ₱15.0 million. The proceeds were used to pay accounts payable, bank loans and related interests amounting to ₱10.1 million. The remaining amount of ₱4.9 million was advanced to Kenyon Holding Corporation (Kenyon), another related party. Noninterest-bearing cash advances to Kenyon, a company owned by certain stockholders/directors of the Company, amounted to ₱4.9 million as at December 31, 2013 and 2012, was recorded under "Due from related parties" account in the consolidated statements of financial position. The receivables were provided with full valuation allowance because the Company does not expect to collect from Kenyon.
- Noninterest-bearing cash advances made to officers amounted to ₱1.3 million as at December 31, 2014 and 2013, respectively.
- Compensation of key management personnel of the Company comprised of short-term employee benefits amounting to nil in 2014 and ₱10.0 million 2013 and 2012, respectively.

As at December 31, 2014 and 2013, the Company's receivables from AAHI and Kenyon aggregating ₱161.1 million are fully provided with allowance.

A summary of these significant transactions with related parties are as follows:

	Relationship	Nature of Transactions	Transactions during the Year		Outstanding Balance	
			2014	2013	2014	2013
Due from related parties:						
MCC	Stockholder	Advances	P4,753,167	P55,000,000	P12,584,032	P7,830,865
AAHI	Stockholder	Advances	—	—	156,139,289	156,139,289
Kenyon	Common control	Advances	—	—	4,943,601	4,943,601
			4,753,167	55,000,000	173,666,922	168,913,755
Less allowance for impairment						
			—	—	(161,082,890)	(161,082,890)
			P4,753,167	P55,000,000	P12,584,032	P7,830,865
Officers	Officers	Trade and other receivables	P98	P72,250	P1,320,570	P1,320,472
Due to related parties:						
MCC	Stockholder	Advances	P—	P88,607,763	P—	P—
	Stockholder	Interest	—	70,808,173	—	—
		Management fees	—	12,631,044	—	—
MCC	Stockholder	Advances	19,145,256	10,168,429	29,313,685	10,168,429
Stockholder	Stockholder		P19,145,256	P182,215,409	P29,313,685	P10,168,429
Compensation of key management	Officers	Salaries	P—	P10,000,000	P—	P—

14. Mines Operating Agreement

The Company entered into MOAs for gold and copper covering mining areas where AMC and PMC have applications for EP or Mineral Production Sharing Agreement (MPSA) with the Mines and Geosciences Bureau. These are summarized below:

Date	Location	No. of Hectares
<u>AMC</u>		
November 8, 2010	Kiblawan, Davao del Sur and Columbio, Sultan Kudarat	7,955.7
January 7, 2011	Marihatag, Surigao del Sur	3,759.3
<u>PMC</u>		
February 4, 2011	Paquibato, Mindanao	8,475.6
March 28, 2011	Boston and Cateel, Davao Oriental	4,860.0

In consideration for the MOA dated November 8, 2010, February 4, 2011 and March 28, 2011, the Company agreed to issue 300 million common shares for each MOA or an aggregate of 900 million common shares at ₱0.20 par value equivalent to 1.8 billion shares at ₱0.10 par value after the equity restructuring in 2013. The consideration for MOA dated January 7, 2011, which was entered into by MRC Surigao, is still subject to a separate agreement.

As at December 31, 2011, MCC, a stockholder, has transferred 300 million shares to AMC and 300 million shares to PMC for the consideration under these agreements with a total value of ₱444.0 million. The shares were valued at the publicly quoted price at the date of issuance. This was recognized by the Company as payable to MCC and classified as due to related parties (see Note 13). The Company has not yet transferred any shares for the MOA dated March 28, 2011 pending final determination of the mining areas by PMC.

Each MOA provides for, among others:

- Reimbursement of pre-exploration activities of amounting to ₱10.0 million with ₱5.0 million payable within fifteen days from the date of the MOA and another ₱5.0 million payable within forty-five days from the date of the MOA;
- 3% royalty on gross proceeds or gross sales of all mineral production payable 15 days after every three months commencing at the end of the first full quarter after the commencement of production; and
- ₱2.0 million to ₱3.0 million royalty advances at every anniversary date of the MOA.

Moreover, the Company will assume all financial costs and expenditures and provide all technical expertise, manpower and support to AMC and PMC to get the necessary MPSA for the mining areas and to comply with the tenement requirements to bring the mining agreements into commercial mining production and operation within the earliest time possible. The agreements with the Philippine government shall always be in the name of AMC and PMC with the Company as the operator.

15. General and Administrative Expenses

A breakdown of this account is as follows:

	Note	2014	2013	2012
Management and professional fees	13	₱6,986,292	₱12,631,044	₱29,692,409
Depreciation and amortization	9	6,400,646	6,166,138	6,753,702
Salaries, wages and employee benefits	17	3,618,368	3,994,406	5,969,758
Rent	16	888,800	1,107,960	748,800
Entertainment, amusement and representation		859,724	1,328,693	2,299,122
Communication, light and water		609,652	2,247,243	723,461
Dues and subscriptions		353,574	2,070,088	1,316,664
Fuel and oil		322,136	300,367	348,324
Transportation and travel		115,304	737,060	1,631,366
Supplies		65,905	89,527	246,933
Insurance		22,465	—	24,870
Taxes and licenses		15,960	1,243,441	4,253,052
Contract services		—	—	193,301
Others		294,450	1,274,118	1,031,640
		₱20,553,276	₱33,190,085	₱55,233,402

Others pertain to common expenses, marketing, association dues and other expenses.

16. Operating Lease Commitment

The Company renewed the contract of lease of its office space for another year with an option to renew for a fixed monthly rental of ₱62,400, terms and conditions are the same with the original contract. Under the first contract of lease dated December 31, 2010, the Company paid security deposit of ₱124,800, which will be returned at the end of the lease term, will be carried forward in the renewed contract of lease.

Rental expense charged to "General and administrative expenses" account amounted to ₱0.9 million, ₱1.1 million and ₱0.7 million for the years ended December 31, 2014, 2013 and 2012, respectively.

17. Retirement Benefits

The Company has an unfunded, defined benefit pension plan covering all of its permanent employees.

The components of retirement liability recognized in the separate statements of financial position are as follows:

	2014	2013
Balance at beginning of year	₱7,779,025	₱5,644,880
Current service cost	838,315	791,004
Interest cost	385,840	319,500
Unrecognized actuarial loss	—	1,023,641
Balance at end of year	₱9,003,180	₱7,779,025

The changes in the present value of the retirement liability are as follows:

	2014	2013	2012	2011	2010
Balances at beginning of year	₱7,779,025	₱5,644,880	₱965,951	₱830,473	₱709,511
Current service cost	838,315	791,004	793,552	35,821	35,821
Interest cost	385,840	319,500	115,913	99,657	85,141
Increase in DBO due to change in actuarial assumption	—	1,023,641	3,769,464	—	—
Balances at end of year	₱9,003,180	₱7,779,025	₱5,644,880	₱965,951	₱830,473

Present value of defined liability and experience adjustment on retirement liability in 2014 and four previous periods are as follows:

	2014	2013	2012	2011	2010
Present value of DBO	₱9,003,180	₱7,779,025	5,664,880	₱965,951	₱830,473
Experience adjustment gain	—	49,137	29,471	—	—

Components of pension expense included in "Salaries, wages and employee benefits" under General and administrative expenses are as follows:

	2014	2013	2012
Current service cost	₱838,315	₱791,004	₱793,552
Interest cost	385,840	319,500	115,913
Retirement expense	₱1,224,155	₱1,110,504	₱909,465

The actuarial assumptions used to determine the retirement benefits are as follows:

	2014	2013
Discount rates	4.96%	4.96%
Expected rates of salary increase	10.00%	10.00%

The retirement liability is subject to several key assumptions. Below shows the sensitivity analysis which has been determined based on reasonably possible changes of each significant assumption on the retirement liability as at December 31, 2014.

Increase (decrease) in Discount rate	Effect on Retirement liability	Increase (decrease) in Salary rate	Effect on Retirement liability
100 bps	₱1,687,172	500 bps	₱11,407,100
(100 bps)	(1,348,025)	(500 bps)	(4,457,197)

The Company's latest actuarial valuation was made in 2013. The Company did not obtain an updated actuarial valuation in 2014 because management has assessed that the effect on the financial statements of the difference between the retirement benefits expense recognized by the Company and that resulting from an updated actuarial valuation is not significant.

18. Income Taxes

The Company has no provision for income tax in 2014 because it is in a taxable loss position. The Company's provision for income tax in 2013 and 2012 represents MCIT.

The Company is an ecozone developer/operator of NCTO and AWT pursuant to Republic Act (RA) No. 7916 as amended by RA No. 8748. As a PEZA-registered developer/operator, the Company is subject to 5% tax on gross income of the PEZA-registered activities in lieu of all national and local taxes.

The Company's non-PEZA-registered activities are subject to regular corporate income tax.

The Company did not recognize deferred tax assets as it is not probable that sufficient taxable income will be available against which the benefit of the deferred tax assets can be utilized. The components giving rise to deferred tax assets are summarized below:

	2014	2013
Allowance for impairment losses	₱242,973,208	₱242,973,208
NOLCO	252,837,345	376,391,249
Retirement liability	9,003,180	7,779,025
Allowance for probable losses	8,964,946	8,964,946
Excess MCIT	5,828,851	5,828,851
	₱519,607,530	₱641,937,279

Movement of MCIT is as follows:

Year Incurred	Amount	Expired	Balance	Expiry
2013	₱5,617,346	₱—	₱5,617,346	2016
2012	211,505	—	211,505	2015
	₱5,828,851	₱—	₱5,828,851	

As at December 31, 2014, the Company has NOLCO that can be carried forward and claimed as deduction against the regular taxable income as follows:

Year Incurred	Amount	Utilized	Expired	Balance	Expiry
2014	₱40,697,988	₱—	₱—	₱40,697,988	2017
2013	2,074,092	—	—	2,074,092	2016
2012	210,065,265	—	—	210,065,265	2015
2011	198,107,817	33,855,925	164,251,892	—	2014
	₱450,945,162	₱33,855,925	₱164,251,892	₱252,837,345	

The reconciliation of income tax computed using the statutory tax rate to the provision for income tax as shown in the consolidated statements of comprehensive income follows:

	2014	2013	2012
Income tax computed at statutory income tax rate	(₱12,833,485)	₱47,828,566	(₱66,584,595)
Interest income subject to final tax	(1,843)	—	—
Add:			
Change in unrecognized deferred tax assets	(36,698,925)	(42,761,328)	30,154,952
Nondeductible expenses	258,685	550,108	2,856,597
Expired NOLCO	49,275,568	—	33,784,551
	₱—	₱5,617,346	₱211,505

19. Basic/Diluted Earnings (Loss) Per Share

The following reflects the net loss and share data used in the basic/dilutive loss per share computations:

	2014	2013	2012
Net income (loss) (a)	(₱42,778,283)	₱153,811,209	(₱222,160,156)
Weighted average number of outstanding shares (b)	8,512,658,975	4,681,421,200	3,915,173,645
Basic/diluted earnings (loss) per share (a/b)	(₱0.005)	₱0.03	(₱0.06)

The Company has no dilutive potential common shares in 2014, 2013 and 2012.

20. Financial Instruments

Financial Risk Management Objectives and Policies

The Company's principal financial instruments are cash, trade and other receivables, due from related parties, bank loans, trade and other payables and due to related parties. The main purpose of these financial instruments is to finance the Company's operations.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and manage the Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company has exposure to liquidity risk and credit risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Liquidity Risk. The Company's objective is to maintain a balance between continuity of funding and flexibility through the availing of loans and advances from related parties. The Company's financial assets are sufficient to pay the financial liabilities when they fall due.

	2014				
	Total Carrying Value	Contractual Undiscounted Payments			
		On Demand	< 1 Year	1 to 5 Years	> 5 Years
Bank loans	P25,707,812	P25,707,812	P—	P—	P—
Trade and other payables*	283,793,750	283,793,750	—	—	—
Due to related parties	29,313,685	29,313,685	—	—	—
	P338,815,247	P338,815,247	P—	P—	P—

*Excluding statutory liabilities.

	2013				
	Total Carrying Value	Contractual Undiscounted Payments			
		On Demand	< 1 Year	1 to 5 Years	> 5 Years
Bank loans	P26,415,186	P25,707,374	P—	P707,812	P—
Trade and other payables	261,785,128	261,785,128	—	—	—
Due to related parties	10,168,429	10,168,429	—	—	—
	P298,368,743	P297,660,931	P—	P707,812	P—

Credit Risk. Credit risk refers to the potential loss arising from any failure by counter parties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counter parties to fulfill their obligations on maturity dates or due to adverse market conditions.

Generally, the Company's credit risk is attributable to receivables. It is the Company's policy that customers who wish to trade on credit terms are subject to credit verification procedures. There are no significant concentrations of credit risks.

The Company's receivables, except for advances to certain related parties, were fully provided with valuation allowance as at December 31, 2014 and 2013.

Credit Quality per Class of Financial Assets. The credit quality of financial assets is being managed by the Company using internal credit ratings. The table below shows the credit quality based on the Company's credit rating system as at December 31, 2014 and 2013.

	2014					
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	Low	Moderate	High			
Cash in banks	P=	P=	P115,083	P=	P=	P115,083
Trade and other receivable	306,665	—	—	—	—	306,665
Due from related parties	12,584,032	—	—	—	—	12,584,032
	P12,890,697	P=	P115,083	P=	P=	P13,005,780

	2013					
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	Low	Moderate	High			
Cash in banks	P=	P=	P156,046	P=	P=	P156,046
Trade and other receivable	295,101	—	—	—	—	295,101
Due from related parties	7,830,865	—	—	—	—	7,830,865
	P8,125,966	P=	P156,046	P=	P=	P8,282,012

The credit quality of the financial assets was determined as follows:

- Low Credit Quality

For receivables, this covers accounts of slow paying counterparties and those whose payments are received upon demand at report date.

- Moderate Credit Quality

Financial assets are classified as moderate credit quality if the counterparties are paying within credit term.

- High Credit Quality

Financial assets are classified as high credit quality if the counterparties have good credit rating or bank standing and are not expected to default in setting their obligations, thus, credit risk exposure is minimal. These counterparties normally include banks and related parties who pay on or before due date.

Categories and Fair Values of Financial Instruments

The fair values of financial instruments as at December 31, 2014 and 2013 are as follows:

	2014		2013	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets:				
Cash in bank	P115,083	P115,083	P156,046	P156,046
Trade and other receivables	306,665	306,665	295,101	295,101
Due from related parties	12,584,032	12,584,032	7,830,865	7,830,865
	P13,005,780	P13,005,780	P8,282,012	P8,282,012
Financial liabilities:				
Bank loans	P25,707,812	P25,707,812	P26,415,186	P26,415,186
Trade and other payables*	283,793,750	283,793,750	261,785,128	261,785,128
Due to related parties	29,313,685	29,313,685	10,168,429	10,168,429
	P338,815,247	P338,815,247	P298,368,743	P298,368,743

* Excluding Statutory Taxes

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value.

Cash in Bank, Trade and Other Receivables, Bank Loans, Trade and Other Payables and Due from and to Related Parties. The carrying amounts of cash in bank and trade and other receivables approximate their fair values due to the short-term nature of these financial instruments. Similarly, the carrying amounts of trade and other payables and due from and to related parties which are subject to normal trade terms approximate their fair values.

Capital Management

The primary objective of the Company's capital management is to ensure that the Company maintains a strong credit rating and healthy capital ratios in order to support its operations, pay existing obligations and maximize stockholder value. The Company considers the paid-in capital presented in the consolidated statements of financial position as its core capital.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may obtain additional advances from related parties, return capital to stockholders or issue new shares. No changes were made in the objectives, policies and processes in 2014 and 2013.

As discussed in Note 1, the Company is continuously undertaking specific actions to improve operations, including restructuring and settlement of outstanding bank loans and communication with prospective investors which are part of the Company's policies and processes in managing its capital.

The Company's debt to equity ratio as at December 31, 2014 and 2013 are shown below:

	2014	2013
Total liabilities	₱347,865,168	₱306,337,101
Total equity	712,667,535	755,445,818
	0.49:1	0.41:1

21. Segment Reporting

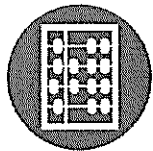
The Company has two operating segments: (1) development and sale of real estate project and (2) mining activities.

Operating results of the Company are regularly reviewed by the Company's BOD, to make decisions about resources to be allocated to the segment and to assess its performance. Segment expenses are measured in accordance with PFRS. The presentation and classification of segment expenses are consistent with the consolidated statements of comprehensive income.

The Company has only one geographical segment as all of its assets are located in the Philippines.

Operating segments information is as follows:

	Real Estate		Mining		Eliminations	Total	
	2014	2013	2014	2013	2014	2014	2013
Net income (loss)	(P40,855,796)	P250,180,491	(P1,922,487)	(P93,515,190)	P—	(P42,778,283)	P153,811,209
Assets	P1,081,088,483	P657,920,959	P7,936,740	P472,768,445	(P28,492,520)	P1,060,532,703	P1,061,782,919
Liabilities	318,243,839	324,035,292	38,113,849	20,708,294	(8,492,520)	347,865,168	306,337,101
Net assets	762,844,644	333,885,667	(20,177,109)	452,060,151	(30,000,000)	712,667,535	755,445,818
Revenues	—	55,000,000	—	—	—	—	55,000,000
Depreciation	5,569,445	5,243,435	831,201	922,703	—	6,400,646	6,166,138
Interest expense	22,008,622	21,207,017	222,529	71,159,003	—	22,231,151	92,366,020



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BOA/PRC Accreditation No. 4782
November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

REPORT OF INDEPENDENT AUDITOR TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
MRC Allied, Inc. and Subsidiaries
5th Floor, Eurovilla 4 Building
853 A. Arnaiz Avenue
Makati City

We have audited the accompanying consolidated financial statements of MRC Allied, Inc. and Subsidiaries (the Company) as at and for the year ended December 31, 2014, on which we have rendered our report dated April 7, 2015.

In compliance with Securities Regulation Code Rule 68, we are stating that the Company has six hundred thirty six (636) stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & Co.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

BOA Accreditation No. 4782; Valid until December 31, 2015

SEC Accreditation No. 1021-AR-1 Group A

Valid until November 11, 2016

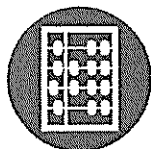
BIR Accreditation No. 08-005144-5-2013

Valid until November 26, 2016

PTR No. 4748321

Issued January 5, 2015, Makati City

April 7, 2015
Makati City, Metro Manila



REYES TACANDONG & Co.

FIRM PRINCIPLES. WISE SOLUTIONS.

26th Floor Citibank Tower
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BOA/PRC Accreditation No. 4782
November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

REPORT OF INDEPENDENT AUDITOR ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
MRC Allied, Inc. and Subsidiaries
5th Floor, Eurovilla 4 Building
853 A. Arnaiz Avenue
Makati City

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of MRC Allied, Inc. (the Company) included in this Form 17-A and have issued our report thereon dated April 7, 2015. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68 Part II and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state in all material respect the financial data required to be set forth therein in relation to the consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

BOA Accreditation No. 4782; Valid until December 31, 2015

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PTR No. 4748321

Issued January 5, 2015, Makati City

April 7, 2015
Makati City, Metro Manila

MRC Allied, Inc. (formerly MRC Allied Industries, Inc.) and Subsidiaries

**SUPPLEMENTARY SCHEDULE OF ADOPTION OF
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2014**

PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRSs)				
PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards <i>[superseded by PFRS 1 (Revised)]</i>			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
PFRS 8	Operating Segments	✓		

PHILIPPINE ACCOUNTING STANDARDS (PASs)				
PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1	Presentation of Financial Statements <i>[superseded by PAS 1 (Revised)]</i>	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
PAS 2	Inventories	✓		
PAS 7	Cash Flow Statements	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
PAS 14	Segment Reporting <i>[superseded by PFRS 8]</i>	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23	Borrowing Costs <i>[superseded by PAS 23 (Revised)]</i>	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24	Related Party Disclosures <i>[superseded by PAS 24 (Revised)]</i>	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Consolidated and Separate Financial Statements <i>[superseded by PAS 27 (revised)]</i>	✓		
PAS 27 (Revised)	Consolidated and Separate Financial Statements	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
PAS 28	Investments in Associates			✓

PHILIPPINE ACCOUNTING STANDARDS (PASs)				
PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions <i>[superseded by PFRS 7]</i>			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓

PHILIPPINE INTERPRETATIONS – IFRIC				
No.	Title	Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC–1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC–2	Members' Share in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC–4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC–5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC–6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC–7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC–9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
Philippine Interpretation IFRIC–10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC–12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC–13	Customer Loyalty Programmes			✓
Philippine Interpretation IFRIC–14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendment to Philippine Interpretation IFRIC–14, Prepayments of a Minimum Funding Requirement			✓
Philippine Interpretation IFRIC–16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC–17	Distributions of Non-cash Assets to Owners			✓

PHILIPPINE INTERPRETATIONS – IFRIC				
No.	Title	Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-18	Transfers of Assets from Customers			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments	✓		

PHILIPPINE INTERPRETATIONS – SIC				
No.	Title	Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC–7	Introduction of the Euro			✓
Philippine Interpretation SIC–10	Government Assistance - No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC–12	Consolidation - Special Purpose Entities	✓		
	Amendment to SIC - 12: Scope of SIC 12	✓		
Philippine Interpretation SIC–13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
Philippine Interpretation SIC–15	Operating Leases - Incentives			✓
Philippine Interpretation SIC–21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
Philippine Interpretation SIC–25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC–27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC–29	Disclosure - Service Concession Arrangements			✓
Philippine Interpretation SIC–31	Revenue - Barter Transactions Involving Advertising Services			✓
Philippine Interpretation SIC–32	Intangible Assets - Web Site Costs			✓

MRC Allied, Inc. (formerly MRC Allied Industries, Inc.) and Subsidiaries**FINANCIAL RATIOS****DECEMBER 31, 2014***Below is a schedule showing financial soundness indicators in the year 2014 and 2013:*

	2014	2013
Current/ liquidity Ratio	1.70	1.92
Current assets	₱576,852,116	₱571,701,686
Current liabilities	338,861,988	297,850,264
Solvency Ratio	(0.10)	0.52
After tax income (loss) less depreciation	(₱36,377,637)	₱159,977,347
Total liabilities	347,865,168	306,337,101
Debt-to-equity Ratio	0.49	0.41
Total liabilities	₱347,865,168	₱306,337,101
Total equity	712,667,535	755,445,818
Asset-to-equity Ratio	1.49	1.41
Total assets	₱1,060,532,703	₱1,061,782,919
Total equity	712,667,535	755,445,818
Interest rate coverage Ratio	(0.92)	2.74
Income (loss) before interest and taxes	(₱20,553,276)	₱253,038,016
Interest expense	22,231,151	92,366,020
Profitability Ratio		
Return on Assets	(0.04)	0.14
After tax income (loss)	(₱42,778,283)	₱153,811,209
Total assets	1,060,532,703	1,061,782,919
Return on Equity	(0.06)	0.20
After tax income (loss)	(₱42,778,283)	₱153,811,209
Total Equity	712,667,535	755,445,818

MRC ALLIED, INC. AND SUBSIDIARIES

OTHER SUPPLEMENTARY SCHEDULES

DECEMBER 31, 2014

Schedule A. Financial Assets

The Company does not have outstanding financial assets (Loans and Receivables, Fair value through Profit or Loss, Held to Maturity Investments, Available for sale Securities) which constitute five percent or more of total current assets as at and for the year ended December 31, 2014.

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

There were no receivables from directors, officers, employees, related parties and principal stockholders from whom an aggregate indebtedness to the Company is more than ₱100,000 or one percent of total assets, whichever is less, that arises outside the ordinary course of business.

Schedule C. Amounts receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

Included in the consolidation of the Company's financial statements were the following subsidiaries:

Subsidiaries	Date of Incorporation	Nature of Business	% of Ownership
MRC Tampakan Mining Corporation (MRC Tampakan)	2011	Mining	100.00
MRC Surigao Mines, Inc. (MRC Surigao)	2011	Mining	100.00
Makrubber Corporation (Makrubber)	1990	Processing and export of natural rubber products	100.00

Makrubber has ceased operations in 2011.

MRC Tampakan and MRC Surigao have not yet started commercial operations.

The advances to MRC Surigao amounted to ₱8.1 million as at December 31, 2014. The advances provided are used for the payment of operating expenses of the subsidiary. These advances are eliminated in the consolidated financial statements.

Schedule D. Intangible Assets - Other Assets

In 2011 and 2010, the Company entered into Mines Operating Agreements (MOAs) for gold and copper covering parcels of mining areas where Alberto Mining Corporation (AMC) and Pensons Mining Corporations (PMC) have applications for Exploration Permit (EP) or Mineral Production Sharing Agreement (MPSA) with the Mines and Geosciences Bureau.

As a result of the MOA, the Company agreed to issue 300,000,000 common shares for each MOA or an aggregate of 900,000,000 common shares at ₱0.20 par value and reimbursements of pre-exploration activities amounting to ₱20.0 million.

Total cost and expenses is deferred and presented in the books under the heading "Exploration and evaluation assets".

Description	Beginning Balance	Additions	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Exploration and evaluations assets	₱464,000,000	₱252,600	₱-	₱-	₱-	₱464,252,600

Schedule E. Long-term Debt

The Company does not have an outstanding long-term debt as at and for the year then ended December 31, 2014. The Company has due to related parties which are due and demandable amounting to ₱29.3 million as at December 31, 2014.

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)

The Company does not have an outstanding long term loans from related parties as at and for the year ended December 31, 2014.

Schedule G. Guarantees of Securities of Other Issuers

The Company is not a party to a guaranty agreement for securities of other issuing entities as at and for the year ended December 31, 2014.

Schedule H. Capital Stock

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for captions, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	₱15,000,000,000	₱8,512,658,975	₱8,512,658,975	₱4,526,002,233	₱-	₱-

In 2011, Menlo Capital Corporation (MCC), a stockholder and related party, transferred through assignment, its shares on the Company's capital stock totaling 69.9 million shares to third parties and officers. These shares include 10,000,000 shares transferred to certain board of directors.

On May 24, 2012, the PSE approved the Company's application to list 503.6 million common shares at ₱0.20 par value to cover its debt-to-equity transaction with (MCC) at a conversion price of ₱0.20 a share. Consequently, outstanding liability to MCC aggregating ₱100.7 million were reclassified and converted to capital stock in 2012.

On February 28, 2013, the stockholders approved a debt-to-equity conversion of up to ₱1.0 billion worth of previously contracted debt to Menlo Capital Corporation (MCC) at conversion price of ₱0.20 a share and the decrease in par value of the shares from ₱0.20 to ₱0.10 a share to implement a quasi-reorganization to offset deficit and improve the Company's financial position.

On November 8, 2013, the SEC approved the Company's application for the debt-to-equity conversion of due to related parties and related accrued interest amounting to ₱877.5 million as consideration for the issuance of 4,387,658,975 shares of stock with a par value of ₱0.20 a share.

On January 14, 2014, the SEC approved the Company's further equity restructuring by applying additional paid-in capital of ₱106.4 million against its remaining deficit (see Note 1).

CONSOLIDATED CHANGES IN THE ACGR FOR 2014

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

(A) Use of Form ACGR

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

(B) Preparation of Report

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

(C) Signature and Filing of the Report

- A. Three (3) complete sets of the report shall be filed with the Main Office of the Commission.
- B. At least one complete copy of the report filed with the Commission shall be **manually** signed.
- C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.
- D. This report is required to be filed annually together with the company's annual report.

(D) Filing an Amendment

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year : 2014
2. Exact Name of Registrant as Specified in its Charter: MRC Allied Inc.
3. 5/F Eurovilla 4 Bldg., 853 A. Arnaiz Ave., Legaspi Village Makati City 1223
Address of Principal Office Postal Code
4. SEC Identification Number: 184228
5.  (SEC Use Only)
Industry Classification Code
6. BIR Tax Identification Number: 049-000-275-291
7. (02) 846-7910
Issuer's Telephone number, including area code
8. 2nd Floor, Benisons Shopping Center, C. M. Recto cor. Dagupan St., Tondo, Manila
Former name or former address, if changed from the last report

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A. BOARD MATTERS

- 1) Board of Directors as of September 18, 2014 ASHM.

Number of Directors per Articles of Incorporation	SEVEN (7)
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Actual number of Directors for the year 2014	SIX (6)
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- (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual /Special Meeting)	No. of years served as director
Benjamin M. Bitanga	Executive Director (ED)					Annual Meeting	4
Jimmy T. Yaokasin	Non Executive Director (NED)					Annual Meeting	4
Joel D. Muyco	Independent Director (ID)				3 years	Annual Meeting	3
Bernard B. Rabanzo	Non Executive Director (NED)					Annual Meeting	3
Edwin H. Monzon	Non Executive Director (NED)	BMB	No relationship			Annual Meeting	2
Michael B. Arciso	Independent Director (ID)	BMB	No relationship		2	Special Meeting	2

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

The Board has adopted the Corporate Governance Manual of MRC which institutionalizes the principles of good corporate governance in the entire organization.

Among others, the following policies were essentially adopted in the Manual: (a) Policy to insure adherence to corporate principles and best practices; (b) Policy on ensuring procedural and organization control; (c) Policy on ensuring mechanisms for monitoring and evaluation Management's performance; and (d) Policy adopting a system of internal checks and balances.

- (c) How often does the Board review and approve the vision and mission?

The Board reviews the company vision and mission on a yearly basis. Usually it is done during its regular meeting at least one month prior to the Annual Shareholder's Meeting.

- (d) Directorship in Other Companies

¹ Reckoned from the election immediately following January 2, 2012.

(i) Directorship in the Company's Group²

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

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Benjamin M. Bitanga	MENLO	ED, Chairman
Bernard B. Rabanzo	MENLO	ED

(ii) Directorship in Other Listed Companies

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

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

(iii) Relationship within the Company and its Group

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

Director's Name	Name of the Significant Shareholder	Description of the relationship
N/A		

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

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	N/A	
Non-Executive Director		
CEO		

(e) Shareholding in the Company

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

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

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Benjamin M. Bitanga	1	2,484,747	0.02
Jimmy T. Yaokasin	1	1	0
Michael B. Arciso	1	1	0
Bernard B. Rabanzo	1,000	1000	0
Edwin H. monzon	1,000	1000	0
Joel D. Muyco	1	1	0
TOTAL	2,004	2,470,004	0.02

2) Chairman and CEO

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

Yes ☐

No ☒

Identify the Chair and CEO:

Chairman of the Board	Benjamin M. Bitanga
CEO/President	Pres.- Benjamin M. Bitanga

In its Corporate Governance Manual, the company adopts and institutionalizes a system to ensure checks and balances within the Board and Management.

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	Act as head of the Board	Act as head of Management
Accountabilities	Accountable for acts of the Board	Accountable for acts of Management
Deliverables	Act as Presiding Officer of Board	Act as Key Officer of Management

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

The plan of succession is to be decided by the Board based on the applicable provisions of the Corporate Governance Manual and consistent with the Articles and By Laws of the Company.

4) Other Executive, Non-Executive and Independent Directors

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

Yes. As laid down in its Corporate Governance Manual, the Company has specified the qualifications and disqualifications of the directors in such a way that there is diversity of experience and that the background of its directors will be useful/helpful to the Company.

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

Yes. Please see explanation above.

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

Directors:

	Executive	Non-Executive	Independent Director
Role	Policy & decision maker who is part of the Executive Team	Policy & decision maker who is not part of the Executive Team	Independent policy & decision maker
Accountabilities	Accountable for acts of the Board & the Management	Accountable for the acts of Board	Accountable for the acts of Board
Deliverables	Sound board policies	Sound board policies	Sound board policies

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

Independent directors shall hold no interests or relationships with the Company that may hinder their independence from the Corporation or Management which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The policy on independent directors is part of the Plan of Compliance institutionalized in the Corporate Governance Manual.

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

Yes. The Company observes the term limit of five years for independent directors. The Company currently has no policy on allowing independent directors to serve for more than this limit.

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

(a) Resignation/Death/Removal

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

Name	Position	Date of Cessation	Reason
Benito Techico	Independent Director	July 18, 2013	Resigned
Javier Serrano	Director	December 27, 2012	Resigned
Javier G. Montes	Director	September 18, 2014	Declined the Nomination during Sept. 18, 2014 ASHM

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

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

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	Election/Voting during Annual SH Meeting	Based on By Laws
(ii) Non-Executive Directors	Election/Voting during Annual SH Meeting	Based on By Laws
(iii) Independent Directors	Election/Voting during Annual SH Meeting	Based on By Laws

b. Re-appointment		
(i) Executive Directors	Election/Voting during Annual SH Meeting	Based on By Laws
(ii) Non-Executive Directors	Election/Voting during Annual SH Meeting	Based on By Laws
(iii) Independent Directors	Election/Voting during Annual SH Meeting	Based on By Laws
c. Permanent Disqualification		
(i) Executive Directors	Special Board Meeting	Based on By Laws
(ii) Non-Executive Directors	Special Board Meeting	Based on By Laws
(iii) Independent Directors	Special Board Meeting	Based on By Laws
d. Temporary Disqualification		
(i) Executive Directors	Special Board Meeting	Based on By Laws
(ii) Non-Executive Directors	Special Board Meeting	Based on By Laws
(iii) Independent Directors	Special Board Meeting	Based on By Laws
e. Removal		
(i) Executive Directors	Special Board Meeting	Based on By Laws
(ii) Non-Executive Directors	Special Board Meeting	Based on By Laws
(iii) Independent Directors	Special Board Meeting	Based on By Laws
f. Re-instatement		
(i) Executive Directors	Special Board Meeting	Based on By Laws
(ii) Non-Executive Directors	Special Board Meeting	Based on By Laws
(iii) Independent Directors	Special Board Meeting	Based on By Laws
g. Suspension		
(i) Executive Directors	Special Board Meeting	Based on By Laws
(ii) Non-Executive Directors	Special Board Meeting	Based on By Laws
(iii) Independent Directors	Special Board Meeting	Based on By Laws

Voting Result of the last Annual General Meeting held on September 18, 2014.

Name of Director	Votes Received
Benjamin M. Bitanga	4,391,676,722
Jimmy T. Yaokasin	4,391,676,722
Joel Muyco	4,391,676,722
Bernard B. Rabanzo	4,391,676,722
Michael B. Arciso	4,391,676,722
Edwin H. Monzon	4,391,676,722

6) Orientation and Education Program

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

Upon assumption of office by the new directors, the Company usually schedules an orientation program and roundtable activity so that they will be able to grasp the vision, mission and operation of the Company.

- (b) State any in-house training and external courses attended by Directors and Senior Management³ for the past

³ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing

three (3) years: Please see explanation above.

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Edwin Monzon	March 1, 2013	Orientation Activity for New Director	MRC In-House
Bernard Rabanzo	March 1, 2013	Orientation Activity for New Director	MRC In-House
	September 23, 2014	Training for Listed Company	PSE Edge (Electronic Disclosure Generation Technology)

B. CODE OF BUSINESS CONDUCT & ETHICS

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

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	Not allowed	Not allowed	Not allowed
(b) Conduct of Business and Fair Dealings	Strongly encouraged	Strongly encouraged	Strongly encouraged
(c) Receipt of gifts from third parties	Not encouraged	Not encouraged	Not Encouraged
(d) Compliance with Laws & Regulations	Strongly enforced	Strongly enforced	Strongly enforced
(e) Respect for Trade Secrets/Use of Non-public Information	Strongly enforced	Strongly enforced	Strongly enforced
(f) Use of Company Funds, Assets and Information	Allowed/Regulated	Allowed/Regulated	Allowed/Regulated
(g) Employment & Labor Laws & Policies	Strongly enforced	Strongly enforced	Strongly enforced
(h) Disciplinary action	Strongly enforced	Strongly enforced	Strongly enforced
(i) Whistle Blower	Not Allowed	Not Allowed	Not Allowed
(j) Conflict Resolution	Strongly encouraged	Strongly encouraged	Strongly encouraged

- 2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees? YES
- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

and controlling the activities of the company.

This is part of the Plan of Compliance which program is part of the Corporate Governance Manual. The system of rewards and incentives are being implemented to ensure such compliance.

4) Related Party Transactions

(a) Policies and Procedures

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

Related Party Transactions	Policies and Procedures
(1) Parent Company	Policy on transparency & legal permissibility
(2) Joint Ventures	Policy on transparency & legal permissibility
(3) Subsidiaries	Policy on transparency & legal permissibility
(4) Entities Under Common Control	Policy on transparency & legal permissibility
(5) Substantial Stockholders	Policy on legal permissibility & no conflict of interest
(6) Officers including spouse/children/siblings/parents	Policy on legal permissibility & no conflict of interest
(7) Directors including spouse/children/siblings/parents	Policy on legal permissibility & no conflict of interest
(8) Interlocking director relationship of Board of Directors	Policy on legal permissibility & no conflict of interest

(b) Conflict of Interest

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

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

	Details of Conflict of Interest (Actual or Probable) Policy on legal permissibility & no conflict of interest
Name of Director/s	N/A
Name of Officer/s	
Name of Significant Shareholders	

(ii) Mechanism

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

	Directors/Officers/Significant Shareholders
Company	Policy on legal permissibility
Group	Policy on legal permissibility

5) Family, Commercial and Contractual Relations

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
N/A		

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description
N/A		

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

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
N/A		

6) Alternative Dispute Resolution

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

	Alternative Dispute Resolution System
Corporation & Stockholders	N/A
Corporation & Third Parties	
Corporation & Regulatory Authorities	

C. BOARD MEETINGS & ATTENDANCE

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

The Board of Directors' meeting shall be held on the second Monday of May in each year, unless such day shall be a legal holiday, when it shall be held on the next regular day following.

- 2) Attendance of Directors for year 2014

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Benjamin M. Bitanga	Sept. 18, 2014	7	7	100%
Member	Jimmy Tiu Yaokasin	Sept. 18, 2014	7	6	86%
Member	Bernard B. Rabanzo	Sept. 18, 2014	7	7	100%

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

Member	Edwin H. Monzon	Feb 28, 2013	7	7	100%
Independent	Joel D. Muyco	Feb 28, 2013	7	5	71%
Independent	Michael B. Arciso	July 18, 2013	7	3	43%

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? None

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

YES. This is based on the articles and by laws as well as the Corporate Governance Manual.

5) Access to Information

(a) How many days in advance are board papers⁵ for board of directors meetings provided to the board?

At least two weeks prior notice.

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

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

Yes. The Corporate Secretary should be competent, efficient and possesses legal know how.

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

Yes. Legal training is part of the qualifications.

(e) Committee Procedures

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

Yes ☒

No ☐

Committee	Details of the procedures
Executive	Prior formal/written request
Audit	Prior formal/written request
Nomination	Prior formal/written request
Remuneration	Prior formal/written request
Others (specify)	

6) External Advice

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

Procedures	Details
N/A	

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

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7) Change/s in existing policies

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

Existing Policies	Changes	Reason
N/A		

D. REMUNERATION MATTERS

1) Remuneration Process

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

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	0	2,205,000.00
(2) Variable remuneration	0	0
(3) Per diem allowance	0	0
(4) Bonus	0	0
(5) Stock Options and other financial instruments	0	0
(6) Others (specify)	0	0

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

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

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Policy on Transparency	Based on Best Industry Practices	Based on qualifications
Non-Executive Directors	Policy on Transparency	Based on Best Industry Practices	Based on qualifications

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

Remuneration Scheme	Date of Stockholders' Approval
N/A	

3) Aggregate Remuneration

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

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	2,205,000.00	2,310,000.00	0
(b) Variable Remuneration	0	0	0
(c) Per diem Allowance	0	0	0
(d) Bonuses	0	0	0
(e) Stock Options and/or other financial instruments	0	0	0
(f) Others (Specify)	0	0	0
Total	2,205,000.00	2,310,000.00	0

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	0	0	0
2) Credit granted	0	0	0
3) Pension Plan/s Contributions	0	0	0
(d) Pension Plans, Obligations incurred	0	0	0
(e) Life Insurance Premium	0	0	0
(f) Hospitalization Plan	0	0	0
(g) Car Plan	0	0	0
(h) Others (Specify)	0	0	0
Total	0	0	0

4) Stock Rights, Options and Warrants

(a) Board of Directors

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

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
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N/A				

(b) Amendments of Incentive Programs

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

Incentive Program	Amendments	Date of Stockholders' Approval
N/A		

5) Remuneration of Management

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

Name of Officer/Position	Total Remuneration
KENNETH JOEY H. MACEREN	
CHERRIE MARIE LACSI	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

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

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	2	1	1				
Audit	1	2	1				
Nomination	1	2	1				
Remuneration	1	2	1				

Others (specify)							
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2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Benjamin M. Bitanga					
Member (ED)	Bernard B. Rabanzo					
Member (NED)	Jimmy Tiu Yaokasin					
Member (ID)	Joel Muyco					
Member						

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Bernard B. Rabanzo					
Member (ED)	Javier Gimenez Montes					
Member (NED)	Edwin H. Monzon					
Member (ID)	Joel Muyco					
Member						

Disclose the profile or qualifications of the Audit Committee members.

The Audit Committee shall be composed of at least three (3) members of the Board one (1) of whom shall be an independent director. Each member shall have adequate understanding at least or competence at most of the company's financial management systems and environment.

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

Audit Committees are responsible to check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements; Pre-approve audit plans, scope and frequency one (1) month before the conduct of external audit also they are responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulation.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Benjamin M. Bitanga					
Member (ED)	Javier Gimenez Montes					
Member (NED)	Jimmy Tiu Yaokasin					
Member (ID)	Michael B. Arciso					
Member						

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Benjamin M. Bitanga					
Member (ED)	Javier Gimenez Montes					
Member (NED)	Jimmy T. Yaokasin					
Member (ID)	Micael B. Arciso					
Member						

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	N/A					
Member (ED)						
Member (NED)						
Member (ID)						
Member						

3) Changes in Committee Members

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

Name of Committee	Name	Reason
Executive		
Audit		
Nomination	Michael B. Arciso	Resignation of Benito Techico
Remuneration	Michael B. Arciso	Resignation of Benito Techico
Others (specify)		

4) Work Done and Issues

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

Name of Committee	Work Done	Issues Addressed
Executive	Implement Executive & Management Policies	N/A
Audit	Implement Audit Policies	N/A
Nomination	Implement Evaluation & Monitoring Policies	N/A
Remuneration	Implement Evaluation & Monitoring Policies	N/A
Others (specify)		

5) Committee Program

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

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Propose mechanisms for the Board's oversight over executive and operational matters	Transparency issues
Audit	Propose mechanisms for the Board's oversight over audit matters	Budget issues
Nomination	Propose mechanisms for the Board's oversight over nomination matters	Regulatory issues
Remuneration	Propose mechanisms for the Board's oversight over remuneration matters	Budget issues
Others (specify)		

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Company adopts a policy of proactive approach to risk management. It adheres to the policy of regularly identifying and monitoring compliance risks.

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

The Board regularly reviews and evaluates risk management systems and policies.

(c) Period covered by the review; Review is usually annual, unless a special review is warranted.

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

Review is usually annual, unless a special review is warranted.

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

2) Risk Policy

(a) Company

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

Risk Exposure	Risk Management Policy	Objective
Internal auditor	Policy on regular monitoring of risks	To achieve minimum negative risk impact on management
External auditor		

(b) Group

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

Risk Exposure	Risk Management Policy	Objective
Same as above		

(c) Minority Shareholders

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

Risk to Minority Shareholders
N/A

3) Control System Set Up

(a) Company

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Information Technology-Related Risks	Information Technology Monitoring System	Information Technology monitoring System is strictly being implemented and monitored by the company on a regular basis.
Force Majeure- Related Risks	Insurance System	Set up a solid and reliable insurance system for the company.

(b) Group

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Fraud- Related Risks	Internal Audit System Monitoring	Internal audit system is strictly being implemented & monitored regularly
Force Majeure – Related Risks	Insurance System	Regular Review/ internal Audit

(c) Committee

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

Committee/Unit	Control Mechanism	Details of its Functions
Audit Committee	Risk Management Programs	Internal Audit

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

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

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

In view of the small size of the company's organization and the limited volume and non-complexity of its transactions, having a full-time, independent Internal Auditor is presently not required. The Corporation shall lodge the internal audit function with the Treasurer of the Corporation who will have the rank of at least the Vice President. The Treasurer may have an additional role as Internal Auditor, through whom the Board, senior management and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

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

By means of regular monitoring and evaluating the adequacy and effectiveness of our company's internal control system we develop a transparent financial management system that will ensure the integrity of internal control activities through step-by-step procedures and policies handbook that will be used by the entire organization.

- (c) Period covered by the review; Internal control system reviewed regularly.

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

Internal control system is strictly being implemented & monitored regularly.

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

2) Internal Audit

- (a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Internal audit assist the Board and/or its audit committee in discharging its governance responsibilities by delivering an objective evaluation of existing risk and internal control	The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and			

framework.	business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.			

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? Yes
- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The Internal Auditor shall report to the Audit Committee. Yes, Internal Auditor have direct and unfettered access to the board of directors and the audit committee as well to all records, properties and personnel.

- (d) Resignation, Re-assignment and Reasons

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

Name of Audit Staff	Reason
N/A	

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

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

Progress Against Plans	
Issues⁶	
Findings⁷	
Examination Trends	

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

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;

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

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

6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

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

Policies & Procedures	Implementation
N/A	

(g) Mechanisms and Safeguards

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

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies

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

This Corporate Governance Report shall be available for inspection by any stockholder of MRC at reasonable hours on business days. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Report to all employees and related parties, and to likewise enjoin compliance in the process. An adequate number of printed copies of this report must be reproduced under the supervision of HRD, with minimum of at least one (1) hard copy of the Report per department.

H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	Handled by our customer service officers	Feedback system
Supplier/contractor selection practice	Competitive bidding/Comparison by the quotation submitted by the respective supplier	Request Quotation from Suppliers
Environmentally friendly value-chain	Paperless transmission	
Community interaction	Continuous dealing with indigenous people/Respect and recognize rights of indigenous people	Interaction with indigenous people affected with mining and other related activities.
Anti-corruption programmes and procedures?	Prohibition on bribery .	

- 2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?
No
- 3) Performance-enhancing mechanisms for employee participation.
- (a) What are the company's policy for its employees' safety, health, and welfare?
Intellicare healthcard.
- (b) Show data relating to health, safety and welfare of its employees. N/A
- (c) State the company's training and development programmes for its employees. Show the data.
Annual teambuilding, planning activities.
- (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures
Annual bonus based on performance evaluation.
- 4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
PCD Nominee Corp.	261,420,004	6.337	COL Financial Group Inc.
PCD Nominee Corp.	227,858,856	5.523	Abacus Securities Corp.

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Benjamin M. Bitanga	1	2,468,000	0.0290
TOTAL	1	2,468,000	

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes

Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

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

3) External Auditor's

Name of auditor	Audit Fee	Non-audit Fee
Reyes Tacandong & Company	350,000.00	

4) Medium of Communication

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

The mode/s of communication that the company used are the following by landline, cellphone, e-mail, fax, parcels.

5) Date of release of audited financial report: March 28, 2012

6) Company Website : mrcallied.com

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

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

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

7) Disclosure of RPT

RPT	Relationship	Nature	Value
N/A			

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

J. RIGHTS OF STOCKHOLDERS

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

(a) Quorum

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

Quorum Required	Majority of the stock of the company issued and outstanding represented in person or by proxy.
------------------------	--

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	By vote of the Board of Directors and stockholders.
Description	The approval of the Board of Directors will be made in regular or special meeting. The approval of the corporate acts by the stockholders is made during annual stockholders meeting.

(c) Stockholders' Rights

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
N/A	

Dividends

Declaration Date	Record Date	Payment Date
NA		

(d) Stockholders' Participation

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

Measures Adopted	Communication Procedure
NA	

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
- a. Amendments to the company's constitution:

Amendments of the company's constitution may be amended or repealed at any regular meeting of the stockholders or special meeting duly called for that purpose by at least majority of the outstanding capital stock and majority of the members of the Board.

Authorization of additional shares :

If the authorized capital stock will be increased in order to issue additional shares the Articles of Incorporation will be amended at any regular meeting of the stockholders or special meeting duly called for that purpose by at least majority of the outstanding capital stock and majority of the members of the Board. If the Articles of Incorporation need not be amended the issuance of additional shares will be made through the approval of the Board of Directors.

- b. Transfer of all or substantially all assets, which in effect results in the sale of the company;

The shareholders shall have appraisal right or right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines.

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

- a. Date of sending out notices: February 6, 2013

- b. Date of the Annual/Special Stockholders' Meeting: February 28, 2013

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting. None

5. Result of Annual/Special Stockholders' Meeting's Resolutions : held on September 18, 2014 ASHM.

Resolution	Approving	Dissenting	Abstaining
1) The minutes of the previous meeting of the stockholders held on 3 February 3, 2014 at the Manila Polo Club Mckinley Road Forbes Park Makati City was approved and confirmed.	51.58% of stockholders	N/A	N/A
2) The Management Report prepared by the Board of Directors was approved and confirmed,	51.58% of stockholders	N/A	N/A
3) The 2013 AFS of the Corporation was approved and confirmed,	51.58% of stockholders	N/A	N/A
4) the acts proceedings, transactions and agreements, authorized by and entered into by the Board of Directors and officers of the	51.58% of stockholders	N/A	N/A

Corporation from the last annual stockholders' meeting to date were also approved.			
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6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions: N/A

(e) Modifications

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

Modifications	Reason for Modification
N/A	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held: on 18 September 2014.

There are three attendance sheet prepared during the Annual Stockholders Meeting First, attendance for Stockholders, second is attendance for Securities, and the last one is the attendance for the Guest. Annual Stockholders Meeting was held at Dusit Thani, Ayala Center, Makati City last February 28, 2013.

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Benjamin M. Bitanga Jimmy T. Yaokasin Joel Muyco Bernard B. Rabanzo Edwin H. Monzon	Feb 28, 2013	By poll	51.58%		
Special	Michael B. Arciso	July 18, 2013	Show of hands			

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

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

(g) Proxy Voting Policies

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

	Company's Policies
Execution and acceptance of proxies	The proxy form should be signed and dated by the stockholder of record and shall designate or name the proxy authorized to vote all shares registered in the stockholder's name.
Notary	The company does not require that the proxy forms executed in the Philippines be notarized before a Notary Public. However, with respect to shares owned and registered in the name of a corporation or other juridical entity the corresponding Secretary's Certificate authorizing the execution of proxy or designating the authorized representative of the corporate shareholder must be duly notarized.
Submission of Proxy	Proxy forms must be received by the Corporate Secretary of the company at the latter's principal office address at 5 th Floor Eurovilla 4 Building, 853 Arnaiz Ave., Makati City. The proxy forms must be received by the Corporate Secretary not later than the time and date indicated in the notices sent to stockholders.
Several Proxies	The company has no express prohibition on the execution of several proxies.
Validity of Proxy	The proxy shall be valid unless the same is withdrawn through a written notice delivered to the Corporate Secretary at least 5 days before the annual stockholders meeting.
Proxies executed abroad	The company has no specific requirement as regards proxies executed abroad by individual stockholders. Nevertheless, the said proxies will be validated and will undergo scrutiny particularly the signature of the stockholder. With respect to foreign based corporate shareholders, the company will require that the Secretary's Certificate executed abroad must be duly notarized or authenticated by Philippine consular officials.
Invalidated Proxy	The shares covered by the proxy will not be entitled to vote except if the registered stockholder personally attends the annual stockholder's meeting and vote his or her shares.
Validation of Proxy	The signatures in the proxy forms will be compared with those in existing records of the company and/or Stock and Transfer Agent.
Violation of Proxy	The shares covered by the proxy will not be entitled to vote except if the registered stockholder personally attends the annual stockholders meeting and vote on his or her shares.

(h) Sending of Notices

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

Policies	Procedure
All of the Stockholders are entitled to notice and vote at the said meeting.	Notices of Annual/Special Stockholders Meeting are sent through personal delivery or by mail in

	the address left by the stockholder with the secretary of the company.

(i) Definitive Information Statements and Management Report :

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	The number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials are those on the list of top 100 shareholders as of record date.
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	The actual date of distribution of Definitive Information Statement and other reports was held last February 6, 2013.
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	Same as above
State whether CD format or hard copies were distributed	The material distributed was in a hard copies.
If yes, indicate whether requesting stockholders were provided hard copies	

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

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	No, because there is no dividends to be declared
The amount payable for final dividends.	N/A
Documents required for proxy vote.	A proxy form signed and dated by stockholder of record . There must be present, either in person or proxy , the owners of the majority of the outstanding capital stock of the Corporation.

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

2) Treatment of Minority Stockholders

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

Policies	Implementation
N/A	

(b) Do minority stockholders have a right to nominate candidates for board of directors? No

K. INVESTORS RELATIONS PROGRAM

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

The company strictly implements the policy of transparency through regular disclosures filed with the Philippine Stock Exchange (PSE) and Securities and Exchange Commission (SEC) through the company's Compliance Officer.

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

The investor relations program of the company is through the purchase of the company's shares of stock. The company utilizes every available modes of communication to promote prospective investment in the company to its existing shareholders and the public. This is done by the company's Compliance Officer whose contact details are as follows:

Telephone No. 846-7910
 Telefax – 519-8945
 E-mail - renz.rabanzo@mrcallied.com

	Details
(1) Objectives	
(2) Principles	
(3) Modes of Communications	
(4) Investors Relations Officer	

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

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

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

Initiative	Beneficiary
N/A	

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

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

	Process	Criteria
Board of Directors	N/A	
Board Committees		
Individual Directors		
CEO/President		

N. INTERNAL BREACHES AND SANCTIONS

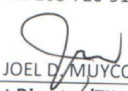
Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees. N/A

Violations	Sanctions
N/A	

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of MAKATI CITY on APR 13 2015, 20__.

SIGNATURES


BENJAMIN M. BITANGA
 Chairman of the Board
 TIN 108-720-911


JOEL D. MUYCO
 Independent Director/TIN 122-548-213


BERNARD B. RABANZO
 Compliance Officer
 TIN165-995-731

N/A
 Chief Executive Officer


MICHAEL B. ARCISO
 Independent Director
 TIN 239-786-092

SUBSCRIBED AND SWORN to before me this _____ day of APR 13 2015, 20__, affiant(s) exhibiting to me their Tax Identification Number, as follows:

Doc No. 97
 Page No. 2
 Book No. 4
 Series of 52/19

LOUIE R. ESTUTIN
 NOTARY PUBLIC - SEC 2010
 ROLL NO. 4238 / 27 APRIL 2013
 PTR NO. 45 0012 / MAKATI CITY
 IEP LIFETIME NO. 4-0817
 MCLE COMPLIANCE NO. IX - 1126879