APC GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2006	2005 (As restated - Notes 5 and 29)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 28)	**₱395,600,959**	₱343,271,788
Receivables - net (Notes 7, and 28)	**840,759,326**	488,484,019
Available-for-sale financial assets (Notes 8 and 28)	**46,872,448**	30,924,607
Input tax and other current assets (Note 9)	**160,264,438**	141,668,254
	1,443,497,171	1,004,348,668
Assets from discontinued operations (Notes 4 and 5)	**27,169,534**	71,295,681
Total Current Assets	**1,470,666,705**	1,075,644,349
Noncurrent Assets		
Available-for-sale financial assets (Notes 8 and 28)	**19,968,497**	31,665,916
Investments in and advances to associates (Note 10)	**10,917,024**	9,218,700
Property and equipment - net (Notes 11, 16 and 29)		
At cost	**1,195,077,515**	1,459,293,814
At revalued amount	**728,494,390**	843,798,713
Investment property (Note 12)	**43,211,812**	42,925,250
Deferred tax assets (Note 21)	**12,573,282**	12,023,483
Other noncurrent assets - net (Note 13)	**24,857,241**	59,460,881
	2,035,099,761	2,458,386,757
Assets from discontinued operations (Notes 4 and 5)	**10,739,423**	24,977,881
Total Noncurrent Assets	**2,045,839,184**	2,483,364,638
	₱3,516,505,889	₱3,559,008,987
LIABILITIES AND CAPITAL DEFICIENCY		
Current Liabilities		
Loans payable (Notes 14 and 28)	**₱213,153,069**	₱213,515,127
Accounts payable and other current liabilities (Notes 15, 19, 23 and 28)	**7,123,278,111**	6,247,280,050
Income tax payable	**4,474,570**	2,264,667
Advances from related parties (Notes 22 and 28)	**114,627,641**	78,728,425
Long-term debt in default (Notes 11, 16 and 28)	**2,849,948,982**	2,995,215,699
	10,305,482,373	9,537,003,968
Liabilities from discontinued operations (Notes 4 and 5)	**54,556,331**	90,544,350
Total Current Liabilities	**10,360,038,704**	9,627,548,318
Noncurrent Liabilities		
Subscriptions payable	**77,036,959**	75,161,959
Deferred tax liabilities (Note 21)	**12,323,144**	15,685,388
Advances from a stockholder (Note 22)	**3,757,836,488**	3,750,570,565
Total Noncurrent Liabilities	**3,847,196,591**	3,841,417,912

(Forward)

	December 31	
	2006	2005 (As restated - Notes 5 and 29)
Capital Deficiency		
Capital stock (Note 17)	**₱3,762,850,900**	₱3,762,850,900
Additional paid-in capital	**1,120,187,888**	1,120,187,888
Revaluation increment in property and equipment (Note 11)	**29,044,172**	29,044,172
Change in fair value of available-for-sale financial assets	**22,429,698**	25,925
Deficit	**(15,005,012,069)**	(14,211,400,258)
Treasury shares	**(650,439,866)**	(650,439,866)
Total capital deficiency attributable to equity holders of parent	**(10,720,939,277)**	(9,949,731,239)
Minority interest	**30,209,871**	39,773,996
Total Capital Deficiency	**(10,690,729,406)**	(9,909,957,243)
	₱3,516,505,889	₱3,559,008,987

See accompanying Notes to Consolidated Financial Statements.

APC GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2006	2005 (As restated - Notes 5 and 29)	2004 (As restated - Notes 5 and 29)
REVENUES			
Transmission	**₱504,856,037**	₱513,843,832	₱485,737,101
Service fees	**269,500,232**	225,944,052	207,045,335
	774,356,269	739,787,884	692,782,436
COSTS AND EXPENSES (Notes 18, 19, and 24)	**994,091,782**	1,211,774,447	1,083,135,643
OTHER CHARGES (INCOME)			
Interest expense and other financing charges (Notes 14, 16, 20 and 29)	**673,790,067**	629,425,290	592,995,164
Foreign exchange loss (gain) – net	**(186,537,951)**	(114,235,477)	23,336,164
Interest income (Note 20)	**(26,481,407)**	(13,832,112)	(25,958,097)
Loss on disposal of property and equipment	**17,656,295**	–	501,536
Provisions for (recovery from) impairment loss on:			
Property and equipment (Note 11)	**48,740,693**	(60,543,079)	46,003,718
Goodwill	**–**	–	14,847,624
Loss on sale of investments in shares of stock - net	**18,000**	–	8,297,044
Equity in net losses of associates (Note 10)	**–**	808,468	4,276,559
Others - net	**23,423,305**	(45,827,425)	(14,026,708)
	1,544,700,784	1,607,570,112	1,733,408,647
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX	**(770,344,515)**	(867,782,228)	(1,040,626,211)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 21)			
Current	**11,911,787**	5,459,841	3,707,299
Deferred	**(1,514,709)**	(648,117)	2,190,498
	10,397,078	4,811,724	5,897,797
LOSS FROM CONTINUING OPERATIONS AFTER INCOME TAX	**(₱780,741,593)**	(₱872,593,952)	(₱1,046,524,008)
LOSS FROM DISCONTINUED OPERATIONS AFTER INCOME TAX (Note 5)	**(9,509,182)**	(2,138,966)	(3,345,862)
NET LOSS	**(₱790,250,775)**	(₱874,732,918)	(₱1,049,869,870)
Attributable to:			
Equity holders of Parent Company			
Loss from continuing operations	**(₱784,102,629)**	(₱876,195,559)	(₱1,043,787,630)
Loss from discontinued operations	**(9,509,182)**	(2,138,966)	(3,345,862)
	(793,611,811)	(878,334,525)	(1,047,133,492)
Minority interest	**3,361,036**	3,601,607	(2,736,378)
	(₱790,250,775)	(₱874,732,918)	(₱1,049,869,870)
Loss Per Common Share for Continuing Operations (Note 26)	**₱0.11**	₱0.12	₱0.14
Loss Per Common Share for Discontinued Operation (Note 26)	**₱0.0013**	₱0.0003	₱0.0004

See accompanying Notes to Consolidated Financial Statements.

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

	Capital Stock (Note 17)	Additional Paid-in Capital	Revaluation Increment in Property and Equipment (Note 11)	Net Unrealized Loss in Value of Marketable Equity Securities	Change in Fair Value of Available-for-Sale Financial Assets	Treasury Shares (Note 14)	Deficit (As restated - Notes 5 and 29)	Total	Minority Interest	Total Capital Deficiency
At January 1, 2006, as previously reported	**₱3,762,850,900**	**₱1,120,187,888**	**₱20,432,193**	**₱–**	**₱25,925**	**(₱650,439,866)**	**(₱12,952,955,046)**	**(₱8,699,898,006)**	**₱39,773,996**	**(₱8,660,124,010)**
Prior period adjustment (Note 29)	**–**	**–**	**8,611,979**	**–**	**–**	**–**	**(1,258,445,212)**	**(1,249,833,233)**	**–**	**(1,249,833,233)**
At January 1, 2006, as restated	**3,762,850,900**	**1,120,187,888**	**29,044,172**	**–**	**25,925**	**(650,439,866)**	**(14,211,400,258)**	**(9,949,731,239)**	**39,773,996**	**(9,909,957,243)**
Change in fair value of available-for-sale financial assets	**–**	**–**	**–**	**–**	**22,403,773**	**–**	**–**	**22,403,773**	**(12,925,161)**	**9,478,612**
Net loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(793,611,811)**	**(793,611,811)**	**3,361,036**	**(790,250,775)**
Total loss for the year	**–**	**–**	**–**	**–**	**22,403,773**	**–**	**(793,611,811)**	**(771,208,038)**	**(9,564,125)**	**(780,772,163)**
At December 31, 2006	**₱3,762,850,900**	**₱1,120,187,888**	**₱29,044,172**	**₱–**	**₱22,429,698**	**(₱650,439,866)**	**(₱15,005,012,069)**	**(₱10,720,939,277)**	**₱30,209,871**	**(₱10,690,729,406)**
At December 31, 2004, as previously reported	₱3,762,850,900	₱1,120,187,888	₱33,054,804	(₱99,846,005)	₱–	(₱650,439,866)	(₱12,205,151,377)	(₱8,039,343,656)	₱36,352,746	(₱8,002,990,910)
Prior period adjustment (Note 29)	–	–	(21,136,722)	–	–	–	(1,022,851,544)	(1,043,988,266)	–	(1,043,988,266)
At December 31, 2004, as restated	3,762,850,900	1,120,187,888	11,918,082	(99,846,005)	–	(650,439,866)	(13,228,002,921)	(9,083,331,922)	36,352,746	(9,046,979,176)
Effect of adoption of PAS 39, "Financial Instruments: Recognition and Measurement"	–	–	–	99,846,005	–	–	(105,062,812)	(5,216,807)	(180,357)	(5,397,164)
At January 1, 2005, as restated	3,762,850,900	1,120,187,888	11,918,082	–	–	(650,439,866)	(13,333,065,733)	(9,088,548,729)	36,172,389	(9,052,376,340)
Change in fair value of available-for-sale financial assets	–	–	–	–	25,925	–	–	25,925	–	25,925
Share in revaluation increment for the year	–	–	(12,622,611)	–	–	–	–	(12,622,611)	–	(12,622,611)
Prior period adjustment (Note 29)	–	–	29,748,701	–	–	–	–	29,748,701	–	29,748,701
Total income (expense) for the year recognized directly in equity	–	–	17,126,090	–	25,925	–	–	17,152,015	–	17,152,015
Net loss for the year, as previously reported	–	–	–	–	–	–	(642,740,857)	(642,740,857)	3,601,607	(639,139,250)
Prior period adjustment (Note 29)	–	–	–	–	–	–	(235,593,668)	(235,593,668)	–	(235,593,668)
Net loss for the year, as restated	–	–	–	–	–	–	(878,334,525)	(878,334,525)	3,601,607	(874,732,918)
Total loss for the year	–	–	17,126,090	–	25,925	–	(878,334,525)	(861,182,510)	3,601,607	(857,580,903)
At December 31, 2005	₱3,762,850,900	₱1,120,187,888	₱29,044,172	₱–	₱25,925	(₱650,439,866)	(₱14,211,400,258)	(₱9,949,731,239)	₱39,773,996	(₱9,909,957,243)
At December 31, 2003, as previously reported	₱3,762,850,900	₱1,120,187,888	₱64,783,308	(₱111,908,988)	₱–	(₱650,439,866)	(₱11,483,753,244)	(₱7,298,280,002)	₱41,987,722	(₱7,256,292,280)
Prior period adjustment (Note 29)	–	–	(27,199,859)	–	–	–	(697,116,185)	(724,316,044)	–	(724,316,044)
At December 31, 2003, as restated	3,762,850,900	1,120,187,888	37,583,449	(111,908,988)	–	(650,439,866)	(12,180,869,429)	(8,022,596,046)	41,987,722	(7,980,608,324)
Expense for the year recognized directly in equity - reversal of impairment loss charged to revaluation	–	–	(31,728,504)	–	–	–	–	(31,728,504)	–	(31,728,504)
Reversal of decline in value of marketable equity securities	–	–	–	12,062,983	–	–	–	12,062,983	(2,898,598)	9,164,385
Prior period adjustment (Note 29)	–	–	6,063,137	–	–	–	–	6,063,137	–	6,063,137
Total expense for the year recognized directly in equity	–	–	(25,665,367)	12,062,983	–	–	–	(13,602,384)	(2,898,598)	(16,500,982)
Net loss for the year, as previously reported	–	–	–	–	–	–	(721,398,132)	(721,398,132)	(2,736,378)	(724,134,510)
Prior period adjustment (Note 29)	–	–	–	–	–	–	(325,735,360)	(325,735,360)	–	(325,735,360)
Net loss for the year, as restated	–	–	–	–	–	–	(1,047,133,492)	(1,047,133,492)	(2,736,378)	(1,049,869,870)
Total loss for the year	–	–	(25,665,367)	12,062,983	–	–	(1,047,133,492)	(1,060,735,876)	(5,634,976)	(1,066,370,852)
Balances at December 31, 2004, as restated	₱3,762,850,900	₱1,120,187,888	₱11,918,082	(₱99,846,005)	₱–	(₱650,439,866)	(₱13,228,002,921)	(₱9,083,331,922)	₱36,352,746	(₱9,046,979,176)

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2006	2005 (As restated - Notes 5 and 29)	2004 (As restated - Notes 5 and 29)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱770,344,515)**	(₱867,782,228)	(₱1,040,626,211)
Adjustments for:			
Depreciation and amortization (Note 11)	**343,868,540**	369,197,640	386,615,558
Impairment loss (Note 11)	**48,740,693**	(60,543,079)	46,003,718
Interest expense (Note 20)	**673,790,067**	629,425,290	592,995,164
Interest income (Note 20)	**(26,481,407)**	(13,832,112)	(25,958,097)
Unrealized foreign exchange loss (gain) - net	**(188,325,766)**	(113,064,736)	23,537,425
Equity in net losses (earnings) of investees	–	(808,468)	4,276,559
Dividend income	**(1,128,703)**	(95,969)	–
Loss on sale of AFS financial assets	**18,000**	–	8,297,044
Loss (gain) on sale of property and equipment - net	**17,656,295**	–	501,536
Operating income before working capital changes	**97,793,204**	(57,503,662)	(4,357,304)
Decrease (increase) in:			
Receivables	**(352,275,307)**	200,295,654	(2,415,669)
Marketable securities	–	117,245,554	11,399,931
Input tax and other current assets	**(18,596,184)**	12,461,739	17,219,866
Increase (decrease) in accounts payable and other current liabilities	**855,032,171**	671,855,299	338,725,248
Net cash generated from operations	**581,953,884**	944,354,584	360,572,072
Dividend received	**1,128,703**	95,969	–
Interest received	**26,481,407**	13,832,112	25,958,097
Interest paid	**(673,790,067)**	(629,425,290)	(592,995,164)
Income tax paid	**(9,701,884)**	(4,987,677)	(9,370,462)
Net cash provided by (used in) operating activities from continuing operations	**(73,927,957)**	323,869,698	(215,835,457)
Net cash provided by (used in) operating activities from discontinued operations	**(26,421,511)**	(805,487,993)	2,324,644
Net cash provided by (used in) operating activities	**(100,349,468)**	(481,618,295)	(213,510,813)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase (decrease) in investments in and advances to subsidiaries	**(1,698,324)**	13,463,676	11,348,862
Acquisitions of property and equipment	**(80,350,197)**	–	(84,740,638)
Purchases/disposals of available for sale financial assets	**18,135,351**	(62,564,598)	–
Proceeds from sale of property and equipment	**49,605,292**	322,803,500	25,109,680
Acquisitions of investment properties	**(286,562)**	(42,925,250)	–
Increase (decrease) in other noncurrent assets	**34,603,640**	187,399,882	(19,484,327)
Net cash provided by (used in) investing activities from continuing operations	**20,009,200**	418,177,210	(67,766,423)
Net cash used in investing activities from discontinued operations	**118,073**	1,068,818	(5,577,436)
Net cash provided by (used in) investing activities	**20,127,273**	419,246,028	(73,343,859)

(Forward)

	Years Ended December 31		
	2006	2005 (As restated - Notes 5 and 29)	2004 (As restated - Notes 5 and 29)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease (increase) in advances from a stockholder and subsidiaries	**₱99,366,708**	₱106,871,888	(₱4,064,490)
Increase in subscriptions payable	**1,875,000**	–	–
Increase in minority interest	**(2,455,091)**	(128,602,306)	336,776,780
Increase (decrease) in deferred credits	**–**	(3)	3
Net cash provided by (used in) financing activities from continuing operations	**98,786,617**	(21,730,421)	332,712,293
Net cash provided by financing activities from discontinued operations	**32,361,333**	101,992,213	(4,121,421)
Net cash provided by (used in) financing activities	**131,147,950**	80,261,792	328,590,872
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS	**7,461,312**	–	106,513
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Net increase (decrease) in cash and cash equivalents from continuing operations	**52,329,172**	20,316,487	46,716,925
Net increase in cash and cash equivalents from discontinued operations	**6,057,895**	(2,426,959)	(4,874,214)
	58,387,067	17,889,528	41,842,711
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and cash equivalents at beginning of year of continuing operations	**343,271,788**	322,955,302	276,238,377
Cash and cash equivalents at beginning of year of discontinued operations	**12,080,492**	14,507,451	19,381,670
	355,352,280	337,462,753	295,620,047
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and cash equivalents at end of year of continuing operations	**395,600,959**	343,271,788	322,955,302
Cash and cash equivalents at end of year of discontinued operations	**18,138,387**	12,080,492	14,507,457
	₱413,739,346	₱355,352,281	₱337,462,759

See accompanying Notes to Consolidated Financial Statements.