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Building a better working world

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Basic Energy Corporation
7th Floor, Basic Petroleum Building,
C. Palanca, Jr. Street, Legaspi Village,
Makati City

We have audited the accompanying consolidated financial statements of Basic Energy Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Basic Energy Corporation and its subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-3 (Group A),
March 21, 2013, valid until March 20, 2016
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225164, January 2, 2014, Makati City

March 26, 2014

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31 2013	2012 (As restated, see Note 2)	January 1, 2012 (As restated, see Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 5)	**₱80,542,774**	₱202,436,999	₱311,754,005
Short-term cash investments	–	8,210,000	8,768,000
Receivables (Note 6)	**3,031,899**	45,450,565	1,705,712
Prepayments and other current assets	**1,676,232**	1,430,455	840,540
Total Current Assets	**85,250,905**	257,528,019	323,068,257
Noncurrent Assets			
Available-for-sale (AFS) financial assets (Note 7)	**451,425,196**	305,867,784	55,984,380
Investment properties (Note 8)	**200,634,343**	193,479,343	120,086,298
Property and equipment (Note 12)			
At cost	**5,172,506**	9,796,834	10,342,527
At revalued amount	**22,687,313**	24,370,645	14,909,998
Deferred charges (Note 11)	**85,535,082**	45,185,414	40,680,455
Other noncurrent assets (Note 4)	**3,757,602**	9,915,102	3,761,102
Total Noncurrent Assets	**769,212,042**	588,615,122	245,764,760
TOTAL ASSETS	**₱854,462,947**	₱846,143,141	₱568,833,017
LIABILITIES AND EQUITY			
Current Liability			
Accounts payable and accrued expenses (Note 13)	**₱2,587,321**	₱2,513,258	₱6,723,074
Noncurrent Liabilities			
Deferred income tax liabilities - net (Note 21)	**6,167,185**	2,151,594	138,518
Accrued retirement benefits (Note 20)	**7,967,637**	7,913,772	6,115,500
Total Noncurrent Liabilities	**14,134,822**	10,065,366	6,254,018
Total Liabilities	**16,722,143**	12,578,624	12,977,092
Equity Attributable to Equity Holders of Parent			
Capital stock [held by 6,799 and 6,853 equity holders in 2013 and 2012, respectively] (Note 14)	**631,940,878**	610,623,378	610,623,378
Additional paid-in capital	**32,699,360**	32,699,360	32,699,360
Revaluation increment in office condominium (Note 12)	**15,809,309**	17,059,457	10,437,004
Net unrealized gains (losses) on changes in fair value of AFS financial assets (Note 7)	**33,364,260**	18,069,385	(509,593)
Remeasurement loss on accrued retirement benefits	**(2,704,577)**	(3,370,337)	(2,565,106)
Cumulative translation adjustment	**718,817**	–	–
Deposit for future stock subscription	–	6,675,000	–
Retained earnings (deficit)	**133,574,416**	155,048,133	(91,607,161)
Total equity attributable to equity holders of the Parent Company	**845,402,463**	836,804,376	559,077,882
Non-controlling interests (Note 16)	**(4,421,659)**	141	18,043
	840,980,804	836,804,517	559,095,925
Treasury stock - at cost (Note 15)	**(3,240,000)**	(3,240,000)	(3,240,000)
Total Equity	**837,740,804**	833,564,517	555,855,925
TOTAL LIABILITIES AND EQUITY	**₱854,462,947**	₱846,143,141	₱568,833,017

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
COvNSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2013	2012 (As restated, see Note 2)	2011 (As restated, see Note 2)
INCOME			
Interest income (Note 17)	**₱18,500,118**	₱17,707,366	₱11,264,786
Foreign exchange gains - net	**6,883,241**	–	861,796
Dividend income	**3,000,953**	754,990	5,508
Fair value adjustment on investment properties (Note 8)	**2,155,000**	73,393,045	–
Income from previous sale of Basic Petroleum and Minerals, Inc. (BPMI) (Note 4)	–	224,955,850	198,467,991
Gain on settlement (Note 4)	–	–	8,224,842
Sales (Note 9)	–	–	1,731,720
Others	**1,233**	1,822,670	47,169
	30,540,545	318,633,921	220,603,812
COSTS AND EXPENSES			
General and administrative expenses (Note 19)	**50,530,759**	49,383,583	41,857,334
Foreign exchange losses – net	–	5,218,944	–
Provision for impairment on AFS financial assets (Note 7)	–	3,188,403	–
Provision for impairment losses on project development cost (Notes 10)	–	–	46,731,677
Cost of sales (Note 9)	–	–	7,201,046
Provision for impairment loss of property and equipment	–	–	2,588,970
Others (Note 9)	–	–	3,474,404
	50,530,759	57,790,930	101,853,431
INCOME (LOSS) BEFORE INCOME TAX	**(19,990,214)**	260,842,991	118,750,381
PROVISION FOR INCOME TAX (Note 21)			
Current	**3,725,629**	16,173,203	2,372,666
Deferred	**3,429,822**	(868,862)	23,117
	7,155,451	15,304,341	2,395,783
NET INCOME (LOSS)	**(27,145,665)**	245,538,650	116,354,598
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Unrealized gains (losses) in AFS financial assets (Note 7)	**15,294,875**	18,496,932	(1,790,891)
Income tax effect	–	82,046	537,267
	15,294,875	18,578,978	(1,253,624)
Cumulative translation adjustment	**718,817**	–	–
Income tax effect	–	–	–
	718,817	–	–
	16,013,692	18,578,978	(1,253,624)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Revaluation increment in office condominium	–	11,030,278	–
Income tax effect	–	(3,309,083)	–
	–	7,721,195	–
Remeasurement gain (loss) on retirement benefits liability	**951,086**	(1,150,330)	(3,664,437)
Income tax effect	**(285,326)**	345,099	1,099,331
	665,760	(805,231)	(2,565,106)
	665,760	6,915,964	(2,565,106)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	**16,679,452**	25,494,942	(3,818,730)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱10,466,213)**	₱271,033,592	₱112,535,868

(Forward)

	Years Ended December 31		
	2013	2012 (As restated, see Note 2)	2011 (As restated, see Note 2)
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**(₱22,723,865)**	₱245,556,552	₱116,375,241
Non-controlling interest	**(4,421,800)**	(17,902)	(20,643)
	(₱27,145,665)	₱245,538,650	₱116,354,598
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**(₱6,044,413)**	₱271,051,494	₱112,556,511
Non-controlling interest	**(4,421,800)**	(17,902)	(20,643)
	(₱10,466,213)	₱271,033,592	₱112,535,868
EARNINGS PER SHARE (Note 22)			
Basic	**(₱0.009)**	₱0.101	₱0.048
Diluted	**(0.009)**	0.083	0.039

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013, 2012 AND 2011

	Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Deposit for Future Stock Subscription (Note 14)	Revaluation Increment in Office Condominium (Note 12)	Net unrealized gain (loss) on changes in fair value of AFS Financial Assets (Note 7)		Remeasurement Loss on Accrued Retirement benefits	Retained Earnings (Deficit)	Cumulative Translation Adjustment	Total	Non-controlling Interest	Treasury Stock	Total Equity
					Equity	Debt							
BALANCES AT DECEMBER 31, 2012, as previously restated	**₱610,623,378**	**₱32,699,360**	**₱6,675,000**	**₱17,059,457**	**(₱870,909)**	**₱18,940,294**	**₱–**	**₱154,918,277**	**₱–**	**₱840,044,857**	**₱141**	**(₱3240,000)**	**₱836,804,998**
Effect of change in accounting for accrued retirement benefits (Note 2)	–	–	–	–	–	–	(3,370,337)	129,856	–	(3,240,481)	–	–	(3,240,481)
BALANCES AT DECEMBER 31, 2012, as restated	**610,623,378**	**32,699,360**	**6,675,000**	**17,059,457**	**(870,909)**	**18,940,294**	**(3,370,337)**	**155,048,133**	–	**836,804,376**	**141**	**(3,240,000)**	**833,564,517**
Net loss	–	–	–	–	–	–	–	(22,723,865)	–	(22,723,865)	(4,421,800)	–	(27,145,665)
Other comprehensive income, net of tax	–	–	–	–	(1,803,799)	17,098,674	665,760	–	718,817	16,679,452	–	–	16,679,452
Total comprehensive income	–	–	–	–	(1,803,799)	17,098,674	665,760	(22,723,865)	718,817	(6,044,413)	(4,421,800)	–	(10,466,213)
Increase in capital stock	14,642,500	–	–	–	–	–	–	–	–	14,642,500	–	–	14,642,500
Transfer of portion of revaluation increment realized through depreciation	–	–	–	(1,250,148)	–	–	–	1,250,148	–	–	–	–	–
Conversion of deposits for future stock subscription to capital stock	6,675,000	–	(6,675,000)	–	–	–	–	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2013	**₱631,940,878**	**₱32,699,360**	**₱–**	**₱15,809,309**	**(₱2,674,708)**	**₱36,038,968**	**(₱2,704,577)**	**₱133,574,416**	**₱718,817**	**₱845,402,463**	**(₱4,421,659)**	**(₱3,240,000)**	**₱837,740,804**

	Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Deposit for Future Stock Subscription (Note 14)	Revaluation Increment in Office Condominium (Note 12)	Net unrealized gain (loss) on changes in fair value of AFS Financial Assets (Note 7)		Remeasurement Loss on Accrued Retirement benefits	Retained Earnings (Deficit)	Cumulative Translation Adjustment	Total	Non-controlling Interest	Treasury Stock	Total Equity
					Equity	Debt							
BALANCES AT DECEMBER 31, 2011, as previously restated	**₱610,623,378**	**₱32,699,360**	**₱–**	**₱10,437,004**	**(₱509,593)**	**₱–**	**₱–**	**(₱91,624,127)**	**₱–**	**₱561,626,022**	**₱18,043**	**(₱3240,000)**	**₱558,404,065**
Effect of change in accounting for accrued retirement benefits (Note 2)	–	–	–	–	–	–	(2,565,106)	16,966	–	(2,548,140)	–	–	(2,548,140)
BALANCES AT DECEMBER 31, 2011, as restated	**610,623,378**	**32,699,360**	**–**	**10,437,004**	**(509,593)**	**–**	**(2,565,106)**	**(91,607,161)**	–	**559,077,882**	**18,043**	**(3,240,000)**	**555,855,925**
Net income	–	–	–	–	–	–	–	245,556,552	–	245,556,552	(17,902)	–	245,538,650
Other comprehensive income, net of tax	–	–	–	7,721,195	(361,316)	18,940,294	(805,231)	–	–	25,494,942	–	–	25,494,942
Total comprehensive income	–	–	–	7,721,195	(361,316)	18,940,294	(805,231)	245,556,552	–	271,051,494	(17,902)	–	271,033,592
Transfer of portion of revaluation increment realized through depreciation	–	–	–	(1,098,742)	–	–	–	1,098,742	–	–	–	–	–
Increase in deposits for future stock Subscription	–	–	6,675,000	–	–	–	–	–	–	6,675,000	–	–	6,675,000
BALANCES AT DECEMBER 31, 2012, as restated	**₱610,623,378**	**₱32,699,360**	**₱6,675,000**	**₱17,059,457**	**(₱870,909)**	**₱18,940,294**	**(₱3,370,337)**	**₱155,048,133**	**₱–**	**₱836,804,376**	**₱141**	**(₱3,240,000)**	**₱833,564,517**

	Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Deposit for Future Stock Subscription (Note 14)	Revaluation Increment in Office Condominium (Note 12)	Net unrealized gain (loss) on changes in fair value of AFS Financial Assets (Note 7)		Remeasurement Loss on Accrued Retirement benefits	Retained Earnings (Deficit)	Cumulative Translation Adjustment	Total	Non-controlling Interest	Treasury Stock	Total Equity
					Equity	Debt							
BALANCES AT DECEMBER 31, 2010	**₱610,623,378**	**₱32,699,360**	**₱–**	**₱11,596,669**	**₱744,031**	**₱–**	**₱–**	**(₱209,142,067)**	**₱–**	**₱446,521,371**	**₱38,686**	**₱–**	**₱446,560,057**
Net income	–	–	–	–	–	–	–	116,375,241	–	116,375,241	(20,643)	–	116,354,598
Other comprehensive income, net of tax	–	–	–	–	(1,253,624)	–	(2,565,106)	–	–	(3,818,730)	–	–	(3,818,730)
Total comprehensive income	–	–	–	–	(1,253,624)	–	(2,565,106)	116,375,241	–	112,556,511	(20,643)	–	112,535,868
Transfer of portion of revaluation increment realized through depreciation	–	–	–	(1,159,665)	–	–	–	1,159,665	–	–	–	–	–
Acquisition of treasury stock	–	–	–	–	–	–	–	–	–	–	–	(3,240,000)	(3,240,000)
BALANCES AT DECEMBER 31, 2011	**₱610,623,378**	**₱32,699,360**	**₱–**	**₱10,437,004**	**(₱509,593)**	**₱–**	**(₱2,565,106)**	**(₱91,607,161)**	**₱–**	**₱559,077,882**	**₱18,043**	**(₱3,240,000)**	**₱555,855,925**

See accompanying Notes to Consolidated Financial Statements

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱19,990,214)**	₱260,842,991	₱118,750,381
Adjustments for:			
Interest income (Note 17)	**(18,500,118)**	(17,707,366)	(11,264,786)
Unrealized foreign exchange losses (gains) - net	**(6,893,272)**	4,091,773	(2,921,992)
Movements in accrued retirement benefits (Note 20)	**1,004,951**	647,942	1,545,463
Depreciation and amortization (Note 12)	**3,264,564**	3,642,532	3,320,565
Dividend income	**(3,000,953)**	(754,990)	(5,508)
Fair value adjustment on investment properties (Note 8)	**(2,155,000)**	(73,393,045)	–
Provision for impairment of property and equipment (Note 12)	–	–	2,588,970
Provision for impairment on AFS financial assets (Note 7)	–	3,188,403	–
Provision for impairment losses on project development cost and deferred charges(Notes 10 and 11)	–	–	46,731,677
Gain on settlement (Note 4)	–	–	(8,224,842)
Cost of harvested crops (Note 9)	–	–	6,338,428
Loss on biological assets (Note 9)	–	–	3,474,404
Others	**(790,398)**	402,597	–
Operating income (loss) before working capital changes	**(47,060,440)**	180,960,837	160,332,760
Decrease (increase) in:			
Short-term cash investments	**8,210,000**	140,702	(8,768,000)
Receivables	**44,112,598**	(44,040,071)	9,326,222
Prepayments and other current assets	**(245,776)**	(589,914)	159,422
Biological assets	–	–	(1,302,380)
Agricultural produce (Note 9)	–	–	125,839
Increase (decrease) in accounts payable and accrued expenses	**74,068**	(4,296,601)	2,865,167
Net cash generated from operations	**5,090,450**	132,174,953	162,739,030
Interest received	**16,806,186**	13,277,419	10,448,662
Income taxes paid (including final taxes on interest income)	**(3,725,985)**	(12,720,266)	(2,688,845)
Net cash flows generated from operating activities	**18,170,651**	132,732,106	170,498,847
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
AFS financial assets	**(126,688,325)**	(234,571,375)	(50,592,368)
Deferred charges (Note 11)	**(40,349,668)**	(4,504,959)	(9,412,768)
Investment property (Note 8)	**(5,000,000)**	–	–
Property and equipment (Note 12)	**(456,904)**	(3,365,792)	(2,736,939)
Net movements from long term cash investment	**6,157,500**	(6,431,500)	–
Dividends received	**3,000,953**	754,990	5,508
Proceeds from sale of property and equipment	–	1,420,000	604,334
Proceeds from settlement (Note 4)	–	–	15,261,300
Net cash flows used in investing activities	**(163,336,444)**	(246,698,636)	(46,870,933)
CASH FLOWS FROM FINANCING ACTIVITIES			
Exercise of stock option	**14,642,500**	–	–
Increase in deposits for future stock subscription	–	6,675,000	–
Acquisition of treasury stock	–	–	(3,240,000)
Net cash flows generated from (used in) financing activities	**14,642,500**	6,675,000	(3,240,000)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**8,629,068**	(2,025,476)	155,525
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(121,894,225)**	(109,317,006)	120,543,439
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**202,436,999**	311,754,005	191,210,566
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱80,542,774**	₱202,436,999	₱311,754,005

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information, Organizational Changes and Authorization for Issuance of the Consolidated Financial Statements

Corporate Information

Basic Energy Corporation (BEC or the Parent Company), a publicly listed corporation, and its subsidiaries (collectively referred to as the Group) were incorporated in the Philippines. The Parent Company's registered business address is at 7th Floor, Basic Petroleum Building, C. Palanca, Jr. Street, Legaspi Village, Makati City.

On August 10, 2007, the Philippine Securities and Exchange Commission (SEC) approved the amendment of the Parent Company's primary and secondary purposes, transforming the Parent Company into a holding company with diversified business interests in the different fields of renewable energy and alternative fuels, while pursuing its core business in oil and gas exploration and development.

Organizational Changes

The Parent Company amended its By-laws on June 29, 2011 to delineate the position and responsibilities of the Chairman from the Chief Executive Officer (CEO) of the Parent Company and to define the duties and responsibilities of the President and the Chief Operating Officer (COO). These amendments were in line with corporate governance principles enjoining the separation of the positions and responsibilities of the Chairman and the CEO, and were approved by the SEC on July 29, 2011. On August 31, 2011, the Board of Directors (BOD) appointed Mr. Oscar C. De Venecia as Chairman and Mr. Oscar L. De Venecia, Jr. as President and CEO. The duties and responsibilities of the COO were incorporated with those of the Executive Vice President.

On February 28, 2011, former Speaker of the House of Representatives, Mr. Jose C. De Venecia, Jr., was appointed by the BOD as the Chairman of the Advisory Board.

Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements were authorized for issuance by the BOD during its meeting on March 26, 2014.

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

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets and investment properties that have been measured at fair value and office condominium that have been measured at revalued amounts. The consolidated financial statements are presented in Philippine Peso, which is the Group's functional currency. Amounts are rounded off to the nearest Peso unless otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31 of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Parent Company controls an investee if and only if the Parent Company has all of the following:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the Parent Company's returns.

Subsidiaries are deconsolidated from the date on which control ceases.

Subsidiaries

Subsidiaries are entities over which the Parent Company has control.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions that are recognized in assets are eliminated in full.

The ownership of the Parent Company over the following subsidiaries as of December 31, 2013 and 2012 are as follows:

Subsidiaries	**2013**	2012
Basic Diversified Industrial Holdings, Inc. (BDIHI)	**100.00**	100.00
iBasic, Inc. (iBasic)	**100.00**	100.00
Basic Ecomarket Farms Inc. (BEFI)	**100.00**	100.00
Basic Biofuels Corporation (BBC)	**100.00**	100.00
Basic Geothermal Energy Corporation (BGEC)	**100.00**	100.00
Southwest Resources, Inc. (SWR)	**72.58**	72.58
Grandway Group Limited (Grandway)	**70.00**	–
PT Basic Energi Solusi (PT BES)	**66.50**	–

Non-controlling Interest

Where the ownership of a subsidiary is less than 100%, and therefore a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Non-controlling interest represents the 27.42% equity interest in the net assets of SWR as of December 31, 2013 and 2012, and 30% equity interest in the net assets of Grandway and 33.50% equity interest in the net asset of PT BES as of December 31, 2013.

Non-controlling interest are presented separately in the consolidated statement of comprehensive income, consolidated statements of changes in equity and within the equity section in the consolidated statement of financial position, separately from the equity attributable to the equity holders of the Parent Company. Non-controlling interest shares in the losses even if the losses exceed the non-controlling equity interest in the subsidiary.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recognized in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income or OCI to profit or loss or retained earnings, as appropriate.

Changes in Accounting Policies and Disclosures
The Group applied, for the first time, certain standards and amendments that require restatement of previous consolidated financial statements and changes in accounting disclosures. These include Philippine Accounting Standards (PAS) 19, *Employee Benefits* (Revised 2011), PFRS 13, *Fair Value Measurement* and amendments to PAS 1, *Presentation of Financial Statements.*

Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group.

The nature and the impact of each new standard and amendment are described below:

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments.* These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or "similar agreement", irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information.

  This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments have no impact on the Group's financial position or performance. As the Group is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

- PFRS 10, *Consolidated Financial Statements*
The Group adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in Standing Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The adoption of this standard did not have a significant impact on the Group's statement of financial position and performance.

- PFRS 11, *Joint Arrangements*
PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The adoption of this standard did not have a significant impact on the Group's statement of financial position and performance.

- PFRS 12, *Disclosure of Interests in Other Entities*
PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The Group has no unconsolidated structured entities.

  The adoption of PFRS 12 affects disclosure only and does not have a significant effect in the Group's financial position or performance (See note 16).

- PFRS 13, *Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 24.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of OCI* (Amendments)
  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)
  The revised standard includes a number of amendments that range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. On January 1, 2013, the Group adopted the revised standards retrospectively, with permitted exception on sensitivity disclosures for the defined benefit obligation for the comparative period which have not been provided. For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses at the end of the previous period exceeded ten percent (10%) of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in profit or loss in the period they occur.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period, taking account of any changes in the net defined benefit liability or asset during the period.

  The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

  Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact on the Group's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of adoption on the consolidated financial statements are as follows:

	31 December 2013	31 December 2012	1 January 2012
Increase (decrease) in:			
Consolidated statements of financial position			
Accrued retirement benefits	₱3,244,134	₱4,629,259	₱3,640,200
Deferred income tax assets	973,240	1,388,778	1,092,060
Remeasurement loss on accrued retirement benefits	(2,704,577)	(3,370,337)	(2,565,106)
Retained earnings	433,683	129,856	16,966

Consolidated statements of comprehensive income:	2013	2012	2011
General and administrative expenses:	(₱434,039)	(₱161,271)	(₱24,237)
Income tax effect	130,212	48,381	7,271
Net income	303,827	112,890	16,966
Remeasurement gain (loss)	951,086	(1,150,330)	(3,664,437)
Income tax effect	(285,326)	345,099	1,099,331
Other comprehensive income (loss)	665,760	(805,231)	(2,565,106)
Total comprehensive income (loss)	₱969,587	(₱692,341)	(₱2,548,140)

Consolidated statements of cash flow:	2013	2012	2011
Income before tax	(₱434,039)	(₱161,271)	(₱24,237)
Movements in accrued retirement benefits	434,039	161,271	24,237

Annual Improvements to PFRSs (2009-2011 cycle)

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
  These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements. An entity must include comparative information in the related notes to the consolidated financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of consolidated financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Group has not included a complete comparative information in respect of the opening consolidated statement of financial position as at January 1, 2012. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not have any significant impact on the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Standards and Interpretation Issued but not yet Effective

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 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. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). This amendment is not relevant to the Group.

- Philippine Interpretation IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance.

  The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  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. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendment is not relevant to the Group.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment has no impact to the Group.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment has no impact on the Parent Company's financial position.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- 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. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of "Effective PFRSs"*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the consolidated financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment has no impact on the Group's financial position or performance.

- PAS 40, Investment *Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

<u>Summary of Significant Accounting and Financial Reporting Policies</u>

<u>Presentation of Financial Statements</u>
The Group has elected to present all items of recognized income and expense in one single statement of comprehensive income.

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks. Cash in banks earn interest at floating rates based on daily bank deposit rate.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value.

Cash Investments

Short-term cash investments consist of short-term money-market placements and time deposits with original maturities of more than three months but less than a year. Placement and time deposits with maturities of more than one year are classified as noncurrent assets under "Long-term cash investment" account.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition

The Group recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date.

Initial Recognition and Measurement of Financial Instruments

Financial instruments are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments at FVPL.

Financial assets within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and available-for-sale (AFS) financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Financial liabilities are classified as financial liabilities at FVPL, derivatives designated as hedging instruments in an effective hedge, or as loans and borrowings. The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expenses or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Group's financial assets are in the nature of loans and receivables and AFS financial assets. As at December 31, 2013 and 2012, the Group has no financial assets at FVPL and HTM investments or derivatives designated as hedging instruments in an effective hedge.

The Group's financial liabilities are in the nature of loans and borrowings as at December 31, 2013 and 2012.

Subsequent Measurement

The subsequent measurement of financial assets and liabilities depends on their classification as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They arise when the Group provides

money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, such financial assets are subsequently measured in the statement of financial position at amortized cost using the effective interest rate (EIR) method, less any provision for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of EIR. The losses arising from impairment are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.
Loans and receivables are included in current assets if maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

The Group's cash and cash equivalents, short-term and long-term cash investments and receivables cash investment as at December 31, 2013 and 2012 are classified under this category (see Notes 5 and 6).

AFS financial assets
AFS financial assets include investments in equity and debt securities. Equity investments classified as AFS financial assets are those which are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in the consolidated statement of comprehensive income in the net unrealized gain on changes in fair value of AFS financial assets until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss, or determined to be impaired, at which time the cumulative loss is reclassified to the profit or loss and removed from OCI.

The Group evaluated its AFS financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the AFS financial assets category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the profit or loss.

As of December 31, 2013 and 2012, included under AFS financial assets are the Group's investments in shares of stock and government bonds (see Note 7).

Loans and borrowings
Issued financial instruments or their components which are not designated as at FVPL are classified as loans and borrowings, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to

satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole, the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Other financial liabilities are classified as current liabilities when it is expected to be settled within 12 months from the end of the reporting period or the Group does not have an unconditional right to defer settlement of the liabilities for at least 12 months from the end of the reporting period.

As of December 31, 2013 and 2012, included in loans and borrowings are the Group's accounts payable and accrued expenses (see Note 13).

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is 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 statement of financial position.

Fair value Measurement

The Group measures AFS financial assets and investment property, at fair value at each end of reporting period.

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

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

The principal or the most advantageous market must be accessible to by the Group.

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

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

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

An analysis of the fair values of AFS financial assets and investment property and further details as to how they are measured are provided in Notes 7 and 8.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group 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 Group 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.

Where the Group 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 Group'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 Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

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

Impairment of Financial Assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Loans and receivables

The Group 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 Group determines that no objective evidence of impairment exists for individually assessed financial assets, 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 on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of impairment loss shall be recognized in consolidated profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in consolidated profit or loss.

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence of impairment loss on an unquoted equity instrument that is not carried at fair value, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" as 20% or more and "prolonged" as greater than 12 months for quoted equity securities. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in consolidated profit or loss is removed from OCI and recognized in consolidated profit or loss.

Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as a component of "Other income" account in the consolidated statement of comprehensive income. If, subsequently, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in consolidated profit or loss, the impairment loss is reversed through consolidated profit or loss.

Prepayments and Other Current Assets

Prepayments

Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises prepaid rentals and insurance premiums and other prepaid items. The prepaid rentals and insurance premiums and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets otherwise, these are classified as other noncurrent assets.

Valued-added Tax (VAT)

Revenue, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

VAT is stated at 12% of the applicable purchase cost of goods or services, net of output tax liabilities. The net amount of VAT recoverable from or payable to, the taxation authority is included as part of "Prepayments and other current assets" or "Accounts payable and accrued expenses," respectively, in the consolidated statement of financial position.

Investment Properties

Investment properties, consisting of parcels of land owned by the Group, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in consolidated profit or loss in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses from derecognition of an investment property are recognized in consolidated profit or loss in the year of retirement or disposal.

Property and Equipment
Property and equipment, other than office condominium, are carried at cost less accumulated depreciation and amortization and any impairment in value.

Office condominium is carried at revalued amount less depreciation and any impairment in value charged subsequent to the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of revalued asset does not differ materially from its carrying amount.

Any revaluation increment is credited to the "Revaluation increment in office condominium" account in the equity section of the consolidated statements of financial position, net of the related deferred income tax liability. An annual transfer from the "Revaluation increment in office condominium" account to retained earnings (deficit) is made for the difference between the depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's original cost. Additionally, accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation increment relating to the particular asset sold is transferred to retained earnings (deficit).

The initial costs of property and equipment consist of their purchase price and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are recognized in profit or loss in the year in which costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in 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 an additional cost of property and equipment. Major maintenance and major overhaul costs that are capitalized as part of property and equipment are depreciated on a straight-line basis over the shorter of their estimated useful lives, typically the period until the next major maintenance or inspection.

Depreciation and amortization is computed using the straight-line method to allocate the related assets' cost to their estimated useful lives. The annual rates of depreciation for each category are based on the following useful lives of related assets:

	Number of Years
Office condominium	15
Office equipment, furniture and fixtures	4 to 5
Farm equipment	3 to 5
Building and leasehold improvements	10
Transportation equipment	5

Leasehold improvements are amortized over the term of the lease or estimated useful life of ten (10) years, whichever is shorter.

The assets' estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

Depreciation and amortization of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation ceases when assets are fully depreciated or at earlier of the date that line item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the item is derecognized.

When assets are retired or otherwise disposed of, their cost, accumulated depreciation and amortization and any allowance for impairment loss are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of comprehensive income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year the item is derecognized.

Fully-depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to operations.

Deferred Charges
All exploration and evaluation costs incurred in connection with the participation of the Group in the determination of technical feasibility and assessment of commercial viability of an identified resources are capitalized and accounted for under the "successful efforts method" [determined on the basis of each Service Contract (SC)/Geophysical Survey and Exploration Contract (GSEC)]. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

Once the legal right to explore has been acquired, costs directly associated with an exploration and evaluation are capitalized and amortized at the start of commercial operations. All such capitalized costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When an SC is permanently abandoned, all related capitalized exploration costs are written-off. SCs are considered permanently abandoned if the SCs have expired and/or if there are no definite plans for further exploration and/or development.

Impairment of Nonfinancial Assets
Property and Equipment and Noncurrent Assets
The Group assesses at each financial reporting date whether there is an indication that an asset may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or CGU are written down to their estimated recoverable amounts. The estimated recoverable amount of an asset is the greater of the fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. 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 estimated recoverable amount is determined for

the CGU to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed by a credit to current operations (unless the asset is carried at a revalued amount in which case the reversal of the impairment loss is credited to the revaluation increment of the same asset) to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation) had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal, the amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on systematic basis over its remaining useful life.

Prepayments and Other Current Assets
The Group provides provision for impairment losses on nonfinancial prepayments and other current assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in provision for impairment losses would increase recorded expenses and decrease prepayments and other current and noncurrent assets.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation and amortization) had no impairment loss been recognized for that asset in prior years.

Capital Stock and Additional Paid-in Capital
Capital stock is measured at par value for all shares issued and outstanding. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and number of shares issued and outstanding.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. 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 Group, 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.

Deposit for Future Stock Subscription
This pertains to the amount of cash and advances from stockholders as payment for future issuance of stocks. The Group classifies a deposit for future stock subscription as an equity instrument if it satisfies all of the following elements:

- the unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;

- there is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- there is stockholders' approval of said proposed increase; and
- the application for the approval of the proposed increase has been filed with the SEC.

If any or all of the foregoing elements are not present, the deposit for future stock subscription shall be recognized as a liability.

Retained Earnings
The amount included in retained earnings includes profit (loss) attributable to the Parent Company's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Parent Company's BOD. Dividends for the period that are approved after the end of the financial reporting date are dealt with as an event after the financial reporting period. Retained earnings may also include the effect of changes in accounting policy as may be required by the accounting standard's transitional provisions.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

Revenue Recognition
Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of revenue can be measured reliably, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received, net of discounts. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The following specific recognition criteria must also be met before revenue is recognized:

Interest income
Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

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

General and Administrative Expenses
General and administrative expenses are decreases in economic benefits during the accounting period in the form of outflows or occurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. General and administrative expenses are generally recognized when the services are used or the expense arises while interest expenses are accrued in the appropriate financial reporting date.

Retirement Benefits Costs
The net retirement benefits liability or asset is the aggregate of the present value of the retirement benefit obligation at the end of the financial reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the retirement benefit plans is actuarially determined using the projected unit credit method.

Retirement benefit costs comprise the following:

- Service cost
- Net interest on the net retirement benefit liability or asset
- Remeasurements of net retirement benefit liability or asset

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

Net interest on the net retirement benefit liability or asset is the change during the period in the net retirement benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net retirement benefit liability or asset. Net interest on the net retirement benefit liability or asset is recognized as expense or income in consolidated profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Remeasurements recognized in OCI after the initial adoption of Revised PAS 19 are not closed to retained earnings account. These are retained in OCI until full settlement of the liability.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the retirement benefit obligation, the measurement of the resulting retirement benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a retirement benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination Benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve (12) months after the end of the financial reporting period is recognized for services rendered by employees up to the end of the reporting period.

Foreign Currency Transactions
Foreign currency transactions are recorded in Philippine peso by applying to the foreign currency amount the exchange rate between the Philippine peso and the foreign currency at the date of the transaction. Foreign currency-denominated monetary assets and liabilities are translated to Philippine peso using the prevailing exchange rates at the end of the reporting period. Exchange rate differences arising from the settlement of monetary items at rates different from those at which they were initially recorded during the year are credited or charged to current operations. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Income Taxes
Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the financial reporting date.

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

Deferred Income Tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or 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 income or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

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

The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will be available to allow the deferred income tax assets to be recovered.

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

Segment Information
The Group considers investment holding and the energy and oil and gas exploration as its primary activities. The Group has no geographical segmentation as the Group's operating business segments are neither organized nor managed by geographical segment.

Provisions and Contingencies
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefit is probable.

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

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements. The judgments and estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Future events may occur which can cause the assumptions used in arriving at those judgments and estimates to change. The effects of the changes will be reflected in the consolidated financial statements as they become reasonably determinable.

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

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the consolidated financial statements:

Determination of the Group's functional currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency has been determined to be the Peso. It is the currency that mainly influences the operations of the Group.

Classification of financial instruments
The Group classifies a financial instrument, or its component, on initial recognition as a financial asset, liability or equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, liability or equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

Impairment of property and equipment
The Group assesses impairment on property and equipment recorded at cost whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

As of December 31, 2013, the Group assessed that there were no impairment indicators on its property and equipment. The carrying value of property and equipment, net of accumulated depreciation and amortization amounted to ₱27,859,819 and ₱34,167,479 as of December 31, 2013 and 2012, respectively (see Note 12).

Impairment of other noncurrent assets
The Group assesses impairment on other noncurrent assets when certain impairment indicators are present. Determining the value of other noncurrent assets, which require the determination of

future cash flows expected to be generated from the continued used and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that these assets may not be recoverable. Any resulting impairment loss could have a material adverse impact on financial condition and results of operations. There was no impairment loss recognized on other noncurrent assets as at December 31, 2013 and 2012.

Impairment and write-off of deferred charges
The Group assesses impairment on deferred charges when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Until the Group has sufficient data to determine technical feasibility and commercial viability, deferred charges need not be assessed for impairment.

Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:

- the period for which the Group has the right to explore in the specific area has expired or will expire in the near future and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For deferred charges, impairment is recognized when a SC where the Group has participating interest is permanently abandoned. Future events could cause the Group to conclude that these assets are impaired.

There was no provision for impairment loss on deferred charges in 2013 and 2012 (see Note 11).

The carrying amount of deferred charges, net of allowance for impairment loss amounting to ₱45,742,635 as of December 31, 2013 and 2012, amounted to ₱85,535,082 and ₱45,185,414 as of December 31, 2013 and 2012, respectively (see Note 11).

Realizability of deferred income tax assets
Deferred income tax assets are recognized for all temporary deductible differences to the extent that it is probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Management has determined based on business forecast of succeeding years that there is no sufficient future taxable profits against which the deferred income tax assets will be utilized except for the deferred income tax assets related to the provision for impairment loss, unrealized foreign exchange losses and fair value adjustments on AFS financial assets and some portion of NOLCO.

The Group recognized deferred income tax assets amounting to ₱2,676,212 and ₱14,700,720 as of December 31, 2013 and 2012, respectively (see Note 21).

Estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Impairment of AFS financial assets

The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" as 20% or more of the cost and "prolonged" as greater than 12 months for quoted equity securities.

Allowance for impairment on unquoted investment in shares of stock amounted to ₱4,090,435 as of December 31, 2013 and 2012. (see Note 7).

The carrying value of the Group's AFS financial assets amounted to ₱451,425,196 and ₱305,867,784 as of December 31, 2013 and 2012, respectively (see Note 7).

Estimation of allowance for impairment of receivables

The Group reviews its receivables at each reporting date to assess the adequacy of the allowance for doubtful accounts. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on factors such as, but not limited to, the length of the Group's relationship with the customer, customer's payment behavior and other known market factors.

The carrying value of receivables, net of allowance for impairment of accounts receivable amounting to ₱2,732,947 as at December 31, 2013 and 2012, amounted to ₱3,031,899 and ₱45,450,565 as of December 31, 2013 and 2012, respectively (see Note 6).

Estimation of useful lives of property and equipment

The Group estimates the useful lives of their property and equipment based on the period over which the assets are expected to be available for use. The Group annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment would increase depreciation expense and decrease noncurrent assets. The depreciation expense recognized during 2013, 2012 and 2011 amounted to ₱3,264,564, ₱3,642,532 and ₱3,320,565, respectively (see Note 12).

Estimation of fair value of unquoted equity securities classified as AFS financial assets

Management believes that while the range of reasonable fair value estimates is significant, the probabilities of the various estimates cannot be reasonably assessed given the unquoted nature of these equity investments. As a result, the Group carries these financial assets at cost less any impairment in value. As of December 31, 2013 and 2012, unquoted equity securities amounted to ₱54,648,364 and ₱135,248, respectively (see Note 7). Allowance for impairment losses on AFS financial assets amounted to ₱4,090,435 as of December 31, 2013 and 2012 (see Note 7).

Estimation of retirement benefits
The cost of defined benefit pension plans as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. The assumptions made by the Group resulted in accrued retirement benefits amounting to ₱7,967,637 and ₱7,913,772 as of December 31, 2013 and 2012, respectively (see Note 20).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Determination of revalued amount of condominium units
The Group engaged an independent valuation specialist to determine the fair value of office condominium. Management agrees with the valuer's estimate of the fair value of the office condominium using the sales comparison approach. The revalued amount of the office condominium as of June 8, 2012 amounted to ₱25,250,000. Revaluation increase on office condominium recognized in other comprehensive income in 2012 amounted to ₱7,721,195, net of the applicable tax. Net book value of revalued office condominium amounted to ₱22,687,313 and ₱24,370,645 as of December 31, 2013 and 2012, respectively (see Note 12).

Determination of fair value of investment properties
The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from variety of sources including:

- current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group recognized a fair value adjustment on its investments properties totaling ₱2,155,000 and ₱73,393,045 as of December 31, 2013 and 2012, respectively. The fair value adjustments on its investment properties are based on the latest appraisal reports in 2012 for the land in Bolinao, Pangasinan, San Fabian, Pangasinan and Tanay, Rizal, and latest appraisal report in 2013 for the land in Gutalac, Zamboanga del Norte. The fair value of the Group's investment properties amounted to ₱200,634,343 and ₱193,479,343 as of December 31, 2013 and 2012, respectively (see Note 8).

4. Status of Investments and Management's Outlook

Sale of BPMI

On April 3, 2006, the Parent Company entered into a Sale and Purchase Agreement (SPA) covering the sale of the entire interest in its wholly owned subsidiary, Basic Petroleum & Minerals, Inc. (BPMI) to Forum Energy PLC (FEP), for a total consideration of US$17,000,000. Of this amount, US$5,000,000 was in cash and FEP shares and US$12,000,000 was payable upon FEP's utilization of the historical cost recoveries of BPMI and upon oil production by FEP in excess of 5,420,000 barrels. By April, 2007, the Parent Company received full payment and delivery of the first tranche of US$5,000,000. The amount of US$10,000,000 was due upon FEP's utilization of the historical cost recovery accounts of BPMI and the amount of US$2,000,000 was due, in staggered basis, upon production of 5,240,000 barrels of oil in the service contracts that are part of the sale of BPMI.

In 2008, the Parent Company declared FEP in default and the receivables from FEP were the subject of arbitration proceedings between the Parent Company and FEP. On June 14, 2012, the Ad-Hoc Arbitration Tribunal rendered its decision in favor of the Parent Company and awarded payment by Forum of the balance of the share of the Parent Company in the historical cost recoveries received by Forum on the oil assets sold to Forum under the SPA and directed the parties to cause the election of the Parent Company's nominee to FEP's Board until full payment of FEP's obligations to the Parent Company. Even prior to the arbitration award, the parties has been in continuing discussions on a global settlement on all issues pertaining to the SPA, as the arbitration proceedings covered only the Parent Company's claim for its share in historical cost recoveries and a global settlement would be beneficial to both parties. Subsequently, the parties entered into a Compromise Agreement covering settlement of the aforementioned award by the Ad-Hoc Arbitration Tribunal in favor of the Parent Company and other claims under the SPA. Under the agreement, Forum will pay the Parent Company an aggregate amount of US$4,400,000 and the Parent Company agreed not to nominate a representative to the FEP Board. As of December 31, 2013, FEP had settled all its obligations to the Parent Company.

The total settlement amount due to the Parent Company of ₱186,567,854 (US$4,400,000) was recorded in 2012 as "Income from previous sale of BPMI" in the consolidated statement of comprehensive income. The remaining balance of the settlement proceeds amounted to ₱41,050,000 (US$1,000,000) as of December 31, 2012, which amount was fully paid by FEP as of December 31, 2013 (see Note 6).

On December 20, 2013, the Parent Company received the payment of the US$1,000,000.

Oil Service Contracts (SCs)

The Parent Company is a party, together with other companies, to SC 47 (Offshore Mindoro) and SC 53 (Onshore Mindoro) with the Philippine Government, through the Department of Energy (DOE), for the exploration, development and exploitation of the contract areas situated in offshore and onshore Mindoro, respectively.

SC 47 (Offshore Mindoro)

SC 47 was awarded by the DOE on January 10, 2005 to PNOC Exploration Corporation (PNOC EC) and Petronas Carigali (Petronas). Upon Petronas' withdrawal in January 2008, PNOC-EC interest became 97% with Petroenergy Resources Corporation at 2% and the Parent Company at 1%.

SC 47 covers originally 14,667 sq. km and is located within the Northwest Palawan Micro-Continental Block (NPMCB). The NPMCB is the only area in the Philippines where there is oil and gas and includes the Nido Oilfield, Matinloc Oilfield and the Malampaya Gasfield, all in the northwest Palawan area. SC 47 has been the site of the first significant oil discovery outside the proven petroleum province of offshore northwest Palawan. PNOC-EC drilled the Maniguin-2 well on the island of Maniguin in 1994. This well flowed sub-commercial quantities of oil and proved the existence of a valid petroleum system in the area.

In 2009, the Parent Company along with its partners, continued exploration efforts in this service contract. The Department of Energy approved the seismic program commitment under sub-phase 2 (January 2008 to January 2010). The 2D seismic survey was carried out by CGG Veritas from August 19-29, 2009 covering a total of 1,091.6 kms at a cost of US$637,417. On August 14, 2009, the DOE approved the relinquishment of 25% of the original area of the service contract, reducing the area to 1,098,000 hectares, where the islands of Caluya, Sibay and Semirara were retained.

Previous work programs involved the processing and interpretation of the seismic data which have resulted in the identification of some leads and prospects and the conduct of the technical evaluation of data acquired from the seismic program. Early this year, PNOC-EC requested the Department of Energy for the approval of its proposed work program for Sub-Phase 3 to cover a period of three (3) years and which will involve a 2-year geological and geophysical work and the drilling of one exploration well on the third and final year. Estimated cost for this program is US$70,000,000. The Parent Company has a 1% interest in this service contract.

SC 53 (Onshore Mindoro)
SC 53 was awarded by the DOE on July 8, 2005, for a ten years exploration period. It covers 6,600 sq. km. of the onshore areas of Mindoro Island which is within the North Palawan Micro-Continental Block. Past exploration efforts in SC 53 included the acquisition of 2,000 kilometers of 2D seismic data and the drilling of 4 exploration wells. Three of the 4 wells encountered oil and gas but were considered non-commercial at the time of drilling.

The consortium entered into a Farm-In Agreement with Pitkin Petroleum Ltd. (Pitkin) which was approved by the Department of Energy on June 11, 2008. Under the Farm-In Agreement, Pitkin completed a magneto-telluric survey in onshore Mindoro and acquired in May, 2010, over 200 kilometers of 2D seismic designed to delineate and assess the hydrocarbon potential of the Progreso-1X in San Jose, Mindoro Occidental and the Sablayan, Mindoro Occidental.

On July 11, 2011, Resource Management Associates Pty Limited of Australia signed a Farm In Agreement with Pitkin to acquire 35% from its 70% participating interest. In November 11, 2011, Pitkin reported that Sub-Phase 1, which was to end March 6, 2012, was fulfilled with the completion of the 200 kilometers of seismic data. Sub-Phase 2 which carries a minimum work obligation of 2 wells and a financial commitment of US$2,000,000, have been extended up to the resolution of the complaint filed by Famatodi, Inc., an organization of indigenous peoples in Mindoro and the issuance of the Certificate of Precondition by the National Commission of Indigenous Peoples.

The consortium agreed to drill Progreso-2 to fulfil one of the 2 well obligations and the planned geology and geophysical works will be negotiated as fulfilment of the second well. For this phase, the approved firm budget amounts to US$8,400,000 and the contingent budget amounts to US$6,140,000. Preparations are on-going for the drilling of Progreso-2, with a target spud date in October, 2014. The Parent Company has a 3% participation in this service contract.

Indonesia Oil Project

In 2013, the Parent Company entered into a joint venture arrangement with Petrosolve Sdn Bhd, a company registered in Malaysia, which is into the business of developing oil fields and holds a technology for enhanced chemical oil recovery. The joint venture established Grandway, a joint venture company in Hong Kong, which is 70% owned by the Parent Company and 30% owned by Petrosolve Sdn Bhd, as the corporate vehicle of the joint venture in entering into business relationships in connection with the management and operation of oil wells. The joint venture then established PT BES, as its operating arm in Indonesia for the management and operation of oil wells located in said country.

PT BES acquired the rights to manage ten (10) wells in the area, with the objective of rehabilitating these wells for possible limited oil production. Drilling operations are on-going to target maximum depths of 390 to 400 meters. The Parent Company has budgeted for 2014 US$2,500,000 for this project.

Geothermal Service Contracts (GSCs)

The Parent Company is likewise involved in the exploration, development and production of geothermal energy. It has been awarded service contracts for various areas by the DOE, which prescribes the periods and programs for these service contracts, pursuant to Presidential Decree No. 87 for the Mabini GSC and pursuant to Republic Act 9513 (Renewable Energy Act of 2008) for the subsequent GSC.

GSC 8. GSC 8, which is the Mabini, Batangas GSC, was awarded to the Parent Company on July 10, 2008. The contract area is approximately 32.5 square kilometers and covers the Calumpan Peninsula. The contract period for exploration is 5 years, and was extended up to 2015, subdivided in 3 Phases. Sub Phase 1 (Years 1 and 2) and sub phase 2 (Year 3) minimum work commitments include geological, geophysical and geochemical works that are designed to identify a drilling location and assess the geothermal potential of the contract area. The Parent Company has the option to drill a well or return the Service Contract to the DOE in case there is no technical justification to drill a well.

The Parent Company has secured the commitments of the Local Government Units which indicated support to the project. The Certificate of Non Coverage was issued by the Environmental Management Bureau on March 25, 2009 and the Certificate of Non Overlap from the National Commission on Indigenous People was issued on April 15, 2009.

The Parent Company has conducted the first stage of the exploration program consisting of geophysical and geological surveys covering 3,481 hectares in the Calumpan Peninsula, Mabini, Batangas. A Controlled Source Magneto-Telluric Survey covering the area had been conducted and completed on March 8, 2010.The data obtained from the survey had been processed by a Japanese consultant, with the objective of establishing the geothermal resource and the exploration drilling site in the area.

The Parent Company has completed due diligence studies and preliminary technical data collection, collation and re-evaluation as part of its commitment under Sub Phase 1 (Years 1 and 2) of the work program committed with the DOE. Initial assessments disclosed that the area has a good potential for a 20-megawatts capacity and could be developed within a 2-year period considering the existence of adequate infrastructure, adjacency to transmission lines and a strong power demand in the area.

For this service contract, the work program is currently on Sub-Phase 3 which involves the drilling of one (1) exploratory well by 2015. Estimated costs for this work program is ₱166,000,000.

Trans-Asia Energy Corporation has committed to a 10% participating interest in this project, with an option to increase up to 40% participating interest, subject to the results of a gravity survey which it will undertake. Discussions are on-going with prospective drilling contractors and project management service providers.

New GSCs

The Parent Company was also awarded the service contracts from the DOE, covering four (4) geothermal projects, namely: Iriga Geothermal Power Project, Mariveles Geothermal Power Project , the East Mankayan Geothermal Power Project and the West Bulusan Geothermal Power Project, all carrying a maximum exploration period of 5 years. For the first year program, these projects are undergoing evaluation of existing data, permitting and coordination with the local government units involved. Estimated costs for the first year work programs for these service contracts is ₱7,700,000.

The East Mankayan Geothermal Power Project lies immediately east of the Cervantes, Ilocos Sur geothermal block of Pan Pacific Power Phils, Inc. and south of the Bontoc-Sadanga block which is operated by Magma Energy Resources. Immediately south is the Daklan block operated by Clean Rock Energy. The area actually covers the 3 provinces of Benguet, Mountain Province and Ifugao. The proposed area is surrounded by lots of known thermal manifestations, e.g. hot springs and thermally altered grounds.

The Mariveles Geothermal Power Project, in Bataan is situated along the West Luzon Volcanic Arc which starts from Mt. Pinatubo in the north and extends farther south across the Manila Bay towards Batangas and northeastern Mindoro.

The Iriga Geothermal Power Project in Camarines Sur is bounded to the north by Isarog geothermal block of Philippine National Oil Company- Renewal Corporation and to the east by the highly productive Tiwi geothermal service contract area of formerly Chevron, now AP Renewables Inc. The areal landscape is dominated by Iriga or Asog Volcano, a relatively in stratovolcano immediately southwest of Lake Buhi in southern Luzon.

The West Bulusan Geothermal Power Project is situated in the municipalities of Juban, Magallanes, Irosin, Bulan, Matnog, Santa Magdalena, and Bulusan, in the province of Sorsogon. It is bounded on the northeast by the geothermal contract area of SKI Construction Group, Inc. and is in close vicinity to Mount Bulusan, an active volcano and a declared Natural Park by virtue of Proclamation No. 421 on 27 November 2000. The DOE estimates the project site to have a potential installed capacity of 50 MW. The area has previously been explored by the PNOC-Energy Development Corporation in the 1980's. Data gathered from this study is the take-off point for the feasibility study currently being undertaken by the Parent Company.

<u>Hydropower Service Contracts (HSCs)</u>
The Parent Company is likewise involved in the exploration, development and production of hydro-power energy. It has been awarded service contracts for various areas by the DOE, which prescribes the periods and programs for these service contracts, pursuant to R.A. 9513 (Renewable Energy Act of 2008).

The Malogo 2 Hydropower Project was awarded to the Parent Company in February 2014 and is situated in Cadiz City and Victorias City in Negros Occidental. It is situated on the northern slopes of the North Negros Protected Park. Malogo 2 is a run-of-river mini-hydropower scheme of development. The two branches of the Malogo River will each have a weir site, wherein both headrace channels lead to a common powerhouse located in the confluence of the two river branches. Map studies indicate that Malogo 2 has a combined indicative capacity of 5 MW. The headrace lengths run 1.3 km and 2.3 km each, while the gross head between both weirs and the powerhouse site is 80 m. Confirmation of these preliminary data is being conducted via a feasibility study currently being conducted by the Parent Company.

The Puntian I Hydropower Project was awarded to the Parent Company in February 2014 and is situated along Puntian River in the municipality of Murcia, Negros Occidental. It is located on the southwestern slopes of the North Negros Protected Park. Puntian I is a run-of-river mini-hydropower scheme of development, wherein a portion of the river water is diverted to a channel leading to a powerhouse located downstream of the diversion structure. Map studies indicate that Puntian I has an indicative capacity of 4 MW. The headrace length runs 1.95 km, while the gross head is 60 m. Confirmation of these preliminary data is being conducted via a feasibility study currently being conducted by the Parent Company.

The Puntian II Hydropower Project was awarded to the Parent Company in February 2014 and is situated along Puntian River in the municipality of Murcia, Negros Occidental. It is located on the southwestern slopes of the North Negros Protected Park. Puntian II is a run-of-river mini-hydropower scheme of development, wherein a portion of the river water is diverted to a channel leading to a powerhouse located downstream of the diversion structure. Map studies indicate that Puntian II has an indicative capacity of 5 MW. The headrace length runs 1.5 km, while the gross head is 100 m. Confirmation of these preliminary data is being conducted via a feasibility study currently being conducted by the Parent Company.

The Talabaan Hydropower Project was awarded to the Parent Company in February 2014 and is situated in Cadiz City, Negros Occidental. It is situated on the northern slopes of the North Negros Protected Park. Talabaan is a run-of-river mini-hydropower scheme of development along the Talabaan River, wherein a portion of the river water is diverted to a channel leading to a powerhouse located downstream of the diversion structure. Map studies indicate that Talabaan has an indicative capacity of 5 MW. The headrace lengths run 2 km, while the gross head is 80 m. Confirmation of these preliminary data is being conducted via a feasibility study currently being conducted by the Parent Company.

These service contracts carry a two-years non-extendible period for pre-development. For the first year program, these projects are undergoing evaluation of existing data, permitting and coordination with the local government units involved. Estimated costs for the first year work programs for these service contracts is ₱7,200,000.

The full recovery of the deferred charges, amounting to ₱85,535,082 and ₱45,185,414 as of December 31, 2013 and 2012, respectively, incurred in connection with the Parent Company's participation in the acquisition, exploration and development of petroleum concessions is dependent upon the discovery of oil and gas and other renewable resources in commercial quantities from the respective contract areas and the success of future developments thereof (see Note 11).

5. Cash and Cash Equivalents

	2013	2012
Cash on hand and in banks	**₱68,938,616**	₱59,971,719
Cash equivalents	**11,604,158**	142,465,280
	₱80,542,774	₱202,436,999

Cash in banks and cash equivalents earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group.

Interest income amounted to ₱2,530,679, ₱11,026,845 and ₱11,039,782 in 2013, 2012 and 2011, respectively (see Note 17).

The Group has United States dollar (US$) and Indonesian Rupiah (IDR) denominated cash with banks amounting to US$1,463,831 and US$1,408,626 as at December 31, 2013 and 2012, respectively, and IDR60,456,142 as at December 31, 2012 (see Note 25).

6. Receivables

	2013	2012
Interest receivable	**₱1,693,932**	₱2,033,495
Receivable from FEP (Note 4)	–	41,050,000
Other receivables	**4,070,914**	5,100,017
	5,764,846	48,183,512
Less allowance for impairment	**(2,732,947)**	(2,732,947)
	₱3,031,899	₱45,450,565

Other receivable arises from short-term, noninterest-bearing transactions of the Group.

Movements in allowance for impairment on other receivables are as follows:

	2013	2012
Beginning balances	**₱2,732,947**	₱2,144,572
Provision for the year (Note 19)	–	588,375
Ending balances	**₱2,732,947**	₱2,732,947

7. AFS Financial Assets

	2013	2012
Debt securities - quoted, at fair value	**₱317,960,235**	₱262,669,089
Investments in shares of stock:		
Quoted	**78,816,597**	43,063,447
Unquoted	**54,648,364**	135,248
	133,464,961	43,198,695
	₱451,425,196	₱305,867,784

Quoted instruments are carried at fair market value as at end of reporting period. Unquoted equity instruments are carried at cost as at end of reporting period, since the fair values cannot be reliably measured.

The cost of debt securities which are stated at fair value amounted to ₱281,921,267 and ₱243,728,795 as of December 31, 2013 and 2012, respectively. Interest rates on these AFS debt securities range from 5.80% to 8.13%. Interest income earned on these securities amounted to ₱15,969,439, ₱6,340,763 and ₱192,855 in 2013, 2012 and 2011, respectively (see Note 17).

The movements in unrealized gains (losses) in respect of quoted AFS financial assets in 2013 and 2012 follow:

	2013	2012
Beginning balances	**₱18,069,385**	(₱509,593)
Unrealized gain	**15,294,875**	18,578,978
Ending balances	**₱33,364,260**	₱18,069,385

Unquoted equity securities include unlisted shares of stock with total cost of ₱58,738,799 and ₱4,225,683 which the Company will continue to carry as part of its investments. These are carried at cost less allowance for impairment losses. The movement in allowance for impairment loss are as follows:

	2013	2012
Beginning balances	**₱4,090,435**	₱902,032
Provision for the year	**–**	3,188,403
Ending balances	**₱4,090,435**	₱4,090,435

8. **Investment Properties**

	2013	2012
Acquisition cost	**₱120,086,298**	₱120,086,298
Additions	**5,000,000**	–
	125,086,298	120,086,298
Accumulated unrealized gain on investment properties:		
Beginning balances	**73,393,045**	–
Unrealized valuation gain on investment property	**2,155,000**	73,393,045
	75,548,045	73,393,045
Ending balances	**₱200,634,343**	₱193,479,343

Investment properties consisting of land are stated at fair value, which has been determined based on valuations performed by Vitale Valuation Services, Inc., an independent firm of appraisers, as of November 29, 2012 for Bolinao and San Fabian, Pangasinan, as of December 3, 2012 for Tanay, Rizal, and as of May 29, 2013 for Gutalac, Zamboanga del Norte. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair valuation was estimated through the income approach; categorized as level 3 using the generally accepted sales comparison.

Direct operating expenses related to the investment properties include real property taxes paid in 2013, 2012 and 2011 amounting to ₱354,858, ₱268,146 and ₱267,047, respectively.

The Group has no restriction on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

9. Biological Assets - Standing Crops and Agricultural Produce

On August 15, 2011, BEFI decided to suspend its operations and wrote-off the remaining balance of biological assets resulting in a loss amounting to ₱3,474,404 which is recorded under "Other costs and expenses" account in the 2011 profit or loss.

Sales of cassava tubers amounted to ₱1,731,720 in 2011.

10. Project Development Costs

Project development costs include costs incurred related to BBC's ethanol plant project located at Gutalac, Zamboanga del Norte. The project consists of approximately 9,000 hectares of land for the sugarcane farm and a fully integrated ethanol plant with a capacity of 200,000 liters of ethanol/day, with a carbon dioxide production plant having a capacity of 50 tons/day, a 6 megawatt power plant and a 3,000 metric tons/day sugar mill.

BBC determined that the cost of its project development cost exceed its recoverable amount hence, the Company recognized impairment loss amounting ₱59,731,677 to fully impair the asset in 2011 with cost of ₱59,731,677 as of December 31, 2013 and 2012.

11. Deferred Charges

The movements in deferred charges follow:

	2013	2012
Beginning balances	**₱90,928,049**	₱86,423,090
Additions	**40,349,668**	4,504,959
	131,277,717	90,928,049
Less allowance for impairment loss	**45,742,635**	45,742,635
Ending balances	**₱85,535,082**	₱45,185,414

Under the SCs entered into with the DOE covering certain petroleum contract areas in various locations in the Philippines, the participating oil companies (collectively known as Contractors) are obliged to provide, at their sole risk, the services, technology and financing necessary in the performance of their obligations under these contracts. The Contractors are also obliged to spend specified amounts indicated in the contract in direct proportion to their work obligations.

However, if the Contractors fail to comply with their work obligations, they shall pay to the government the amount they should have spent but did not, in direct proportion to their work obligations. The participating companies have Operating Agreements among themselves, which govern their rights and obligations under these contracts.

On July 10, 2008, the Group and the Government of the Republic of the Philippines through the DOE, engaged a GSC wherein the Group will undertake and execute the geothermal operations contemplated under the GSC. The geothermal operations shall include geothermal exploration, development and production. It shall also consists of surface exploration and subsurface exploration. Surface exploration deals primarily with reconnaissance to detailed activities, studies and geo-scientific investigations. Subsurface exploration refers mainly to drilling activities for the purpose of making discovery and delineating the reservoir. Geothermal development, on the other hand, refers to the drilling of appraisal, development and reinjection wells and geo-scientific activities related thereto for the purpose of exploiting the delineated geothermal reservoir, which includes the installation of wellhead equipment, collecting pipes and pressure vessels for steam extraction. Geothermal production is the set of activities which involves the actual extraction of geothermal fluid for commercial utilization, but does not include the utilization of such geothermal fluid.

The term of the GSC is for five years from the effective date consisting of three subphases, renewable for another two years.
The 4 new GSCs this year start with a five-year pre-development stage. Afterwards, the developer has to declare commerciality before proceeding to development stage. The second phase can run from 25 to as long as 50 years, depending on results of exploration tests.

The accumulated costs incurred in connection with the exploration contracts are shown under "Deferred charges" account in the consolidated statements of financial position. The full recovery of these deferred exploration costs is dependent upon determination of technical feasibility and commercial quantity of an identifiable resource.

12. Property and Equipment

At cost:

2013

	Land	Office Equipment, Furniture and Fixtures	Building and Leasehold Improvement	Transportation Equipment	Total
Cost:					
Beginning balances	₱3,500,000	₱9,559,215	₱5,156,648	₱6,425,195	₱24,641,058
Additions	–	359,164	–	97,740	456,904
Reclassification	(3,500,000)	–	–	–	(3,500,000)
Ending balances	–	9,918,379	5,156,648	6,522,935	21,597,962
Accumulated Depreciation:					
Beginning balances	–	8,897,824	3,463,793	2,482,607	14,844,224
Depreciation (Note 19)	–	392,163	172,025	1,017,044	1,581,232
Ending balances	–	9,289,987	3,635,818	3,499,651	16,425,456
Net book values	₱–	₱628,392	₱1,520,830	₱3,023,284	₱5,172,506

2012

	Land	Office Equipment, Furniture and Fixtures	Farm Equipment	Building and Leasehold Improvement	Transportation Equipment	Total
Cost:						
Beginning balances	₱3,500,000	₱10,214,383	₱8,744,380	₱5,156,648	₱4,542,730	₱32,158,141
Additions	–	192,552	–	–	3,173,240	3,365,792
Disposals	–	847,720	8,744,380	–	1,290,775	10,882,875
Ending balances	3,500,000	9,559,215	–	5,156,648	6,425,195	24,641,058
Accumulated Depreciation:						
Beginning balances	–	9,330,007	4,346,695	3,291,768	2,258,174	19,226,644
Depreciation (Note 19)	–	343,107	492,992	172,025	1,064,777	2,072,901
Disposals	–	775,290	4,839,687	–	840,344	6,455,321
Ending balances	–	8,897,824	–	3,463,793	2,482,607	14,844,224
Net book values	₱3,500,000	₱661,391	₱–	₱1,692,855	₱3,942,588	₱9,796,834

At revalued amount:

	2013	2012
Revalued Amount	**₱25,250,000**	₱25,250,000
Accumulated Depreciation		
Beginning balances	**879,355**	11,670,012
Reversal due to revaluation	–	(12,360,288)
Depreciation (Note 19)	**1,683,332**	1,569,631
Ending balances	**2,562,687**	879,355
Net Book Values	**₱22,687,313**	₱24,370,645

The land located in Imelda, Gutalac, Zamboanga del Norte was reclassified by the Group in 2013 as investment properties from property and equipment.

Revaluation of Office Condominium

The Group engaged Royal Asia Appraisal Corporation, an independent firm of appraisers, to determine the fair value of its office condominium as of June 8, 2012. The fair value is determined using the generally accepted sales comparison approach. The date of the appraisal was June 14, 2012. The estimated remaining life of the office condominium is 16.75 years as of appraisal date.

Increase in revaluation of office condominium, net of deferred income tax liability, amounted to ₱7,721,195 in 2012 which is presented under "Revaluation increment in office condominium" account in the 2012 consolidated statement of comprehensive income. Revaluation increment in office condominium as of December 31, 2013 and 2012 amounted to ₱15,809,309 and ₱17,059,457, respectively, which is presented under the "Revaluation increment in office condominium" account in the consolidated statements of financial position and consolidated statements of changes in equity.

If the office condominium was measured using the cost model, the carrying amount as of December 31, 2013 and 2012 would be as follows:

	2013	2012
Cost	**₱1,730,010**	₱1,730,010
Accumulated depreciation	**(692,004)**	(576,670)
	₱1,038,006	₱1,153,340

The cost of the Group's fully depreciated assets still in use amounted to ₱11,021,028 and ₱10,099,014 as of December 31, 2013 and 2012, respectively.

13. Accounts Payable and Accrued Expenses

	2013	2012
Accounts payable	**₱978,557**	₱1,163,608
Dividends payable	**888,714**	888,714
Income tax payable	**45,827**	–
Other payables	**674,223**	460,936
	₱2,587,321	₱2,513,258

Accounts payable consists of short-term and noninterest-bearing trade payables to the Group's local suppliers with an average credit terms of 30 days. Dividend payable pertains to dividends not yet claimed by shareholders since December 31, 1999. Other payables are liabilities to various government agencies generally payable within 30 days.

14. Equity

Capital Stock
The details of the capital stock are as follows:

2013

	No. of Shares	Amount
Authorized - ₱0.25 par value	**10,000,000,000**	**₱2,500,000,000**
Unissued	**(8,241,854,545)**	**(2,060,463,636)**
Issued	**1,758,145,455**	**439,536,364**
Subscribed	**2,646,848,057**	**661,712,014**
Subscriptions receivable	**(1,877,230,000)**	**(469,307,500)**
	769,618,057	**192,404,514**
	2,527,763,512	**₱631,940,878**

2012

	No. of Shares	Amount
Authorized - ₱0.25 par value	10,000,000,000	₱2,500,000,000
Unissued	(8,241,854,545)	(2,060,463,636)
Issued	1,758,145,455	439,536,364
Subscribed	2,146,848,057	536,712,014
Subscriptions receivable	(1,462,500,000)	(365,625,000)
	684,348,057	171,087,014
	2,442,493,512	₱610,623,378

The movements on shares outstanding in 2013 and 2012 are as follows:

	2013	2012
Beginning balances	**2,442,493,512**	2,442,493,512
Payment of subscription	**85,270,000**	–
Ending balances	**2,527,763,512**	2,442,493,512

Below is the Parent Company's track record of registration:

a. On January 26, 1973, the SEC authorized the Parent Company to sell to the public 617.5 million shares out of its unissued capital stock as of December 31, 1972 within one year from order date, unless extended by the SEC. As of December 31, 1973, the Parent Company's authorized capital stock is 1.5 billion shares with par value of ₱0.01.

b. On September 8, 1973, the Parent Company applied with the Manila Stock Exchange and Makati Stock Exchange for the listing of its capital stock as of September 8, 1973 (495,251,000 fully paid-up shares and with respect to 1,004,749,000 shares, upon full payment and issuance of the corresponding stock certificates). The applications for listing were approved by the Board of Governors of both the Manila Stock Exchange and Makati Stock Exchange on September 30, 1973 and September 13, 1973 respectively. Said listing was duly approved by the SEC on October 16, 1973.

c. On October 17, 1974, the SEC approved the increase in the Parent Company's authorized capital stock from ₱15.0 million (consisting of 1.5 billion shares) to ₱40.0 million (consisting of 4.0 billion shares) at the same par value of ₱0.01. The SEC also approved the 60% stock dividend (₱9.0 million) declaration to stockholders of record as of August 15, 1974. The Parent Company granted to stockholders of record as of November 15, 1974 the right to subscribe at par of ₱0.01 per share to the unissued and unsubscribed portion of the increased capital stock amounting to ₱16.0 million (1.6 billion shares), at the ratio of 2 shares of stock for every 3 shares of stock registered in the stockholders' name.

   On October 23, 1974, the SEC authorized the listing of the additional 2.5 billion shares of the Parent Company's increased capital stock (900.0 million fully paid-up shares representing the 60% stock dividend, and with respect to 1.60 billion shares, upon full payment and issuance of corresponding stock certificates) in the Manila Stock Exchange , Makati Stock Exchange, Inc. and Metropolitan Stock Exchange, Inc. The listing took effect on November 6, 1974. On October 16, 1973, the SEC had authorized the listing of the Parent Company's original shares of stock of 1.5 billion shares in the first two stock exchanges.

d. On February 4, 1976, the SEC approved the increase in authorized capital stock from ₱40.0 million (₱24.0 million or 60% Class A and ₱16.0 million or 40% Class B) to ₱100.0 million (₱60.0 million or 60% Class A and ₱40.0 million or 40% Class B) both with a par value of ₱0.01 per share. The Parent Company also granted pre-emptive rights to stockholders of record as of October 31, 1975 to subscribe at par value of ₱0.01 per share to ₱20.0 million (₱12.0 million Class A and ₱8.0 million Class B) at the ratio of one share for every two shares held. The right was exercisable on or before January 15, 1976 with a 25% down payment and the balance payable upon call by the BOD.

On December 22, 1975, the SEC issued to the Parent Company a "Certificate of Permit to Offer Securities for Sale" covering the said capital increase of ₱60.0 million (₱36.0 million Class A and ₱24.0 million Class B). On February 26, 1976, the listing of the shares representing the said ₱60.0 million increase in authorized capital stock of the Parent Company in the stock exchanges was approved.

e. On November 13, 2007, the SEC approved the increase in the capital stock of the Parent Company for ₱500.0 million consisting of the 2 billion shares to ₱2.5 billion consisting of 10.0 billion shares. Pursuant to this increase, 537.5 million shares to the subscribers to the capital increase were on January 10, 2008.

f. On May 28, 2009, the Parent Company issued 120,853,182 shares to a new investor, ZN Biofuels, Inc., the registration of which was exempt and confirmed as such by the SEC.

g. On September 22, 2009, the Parent Company issued 31,818,182 shares to Shouk Financial Services Ltd., the registration of which was exempt and likewise confirmed as such by the SEC.

h. On September 8, 2011, the SEC approved the Stock Option Plan of the Parent Company granting directors, members of the advisory board, officers and employees of the Parent Company options to purchase, at the par value of P0.25 per share, a total of 500,000,000 shares. Out of these shares, 26.7 million have been paid and listed in the Philippine Stock Exchange on January 21, 2013 which was classified as deposit for future stock subscription as of December 31, 2012. On July 24, 2013, the Philippine Stock Exchange approved for listing the remaining 473,300,000 shares.

   As of December 31, 2013, additional 58.57 million shares have been paid and listed in the Philippine Stock Exchange.

<u>Stock Option Plan</u>

On July 11, 2007, the Parent Company's BOD and stockholders approved the Stock Options Plan (SOP). On September 8, 2011, the SEC approved the SOP.

The Basic terms and conditions of the ESOP are:
- The SOP covers up to 500,000,000 in favor of directors, officers and employees of the Parent Company.
- The agreement provides for an exercise price of ₱0.25 per share.
- These options will be settled in equity once exercised.
- All options are exercisable on the third (3rd) year after the approval of the SOP by the stockholders which will therefore expire on July 11, 2010.

On June 18, 2010, the stockholders approved the extension of the exercise period to July 11, 2013. In 2013, a total of seventeen directors, and the chairman and a member of the advisory board and certain officers of the Parent Company have exercised the stock option plan and subscribed for the total of 500,000,000 shares at the exercise price. Out of these shares, 26.7 million have been paid and listed in the Philippine Stock Exchange on January 21, 2013 which was classified as deposit for future stock subscription as of December 31, 2012. On July 24, 2013, the Philippine Stock Exchange approved for listing the remaining 473,000,000 shares. As of December 31, 2013, additional 58.57 million shares have been paid and listed in the Philippine Stock Exchange.

There was no new SOP granted in 2013 and 2012.

The following table illustrates the number of, and movements in, stock options:

	Number of Options		Weighted Average Exercise Price	
	2013	2012	**2013**	2012
January 1	**500,000,000**	500,000,000	**₱0.25**	₱0.25
Exercised	**(500,000,000)**	–	**0.25**	–
December 31	–	500,000,000	**₱–**	₱0.25

15. Treasury Stock

The treasury stock represents 18.0 million shares of the Parent Company which are held by BGEC.

16. Group Information

Subsidiary with material non-controlling interest

In 2013, the Parent Company entered into an agreement with Petrosolve SDN BHD, a Malaysian corporation engaged in the business of oil fields services, to incorporate Grandway, in which the Parent Company has 70% equity interest. The Group's interest in Grandway is accounted for under PFRS 10, *Consolidated Financial Statements*.

The Parent Company, through Grandway, incorporated PT BES to carry out its oil well business in Indonesia. The Group owns 67% equity interest in PT BES.

The summarized financial information of SRI, Grandway and PTBES are as follows:

	SRI	Grandway	PT BES
Non-controlling interest	27.42%	30.00%	33.50%
Financial position:			
Current assets	₱13,831	₱341,609	₱253,476
Non-current assets	–	51,490,451	39,488,472
Current liabilities	(126,608)	(52,153,246)	(51,049,952)
Non-current liabilities	–	–	–
CTA	–	14,219	(1,523,439)
Attributable to equity holders of Parent	(81,742)	(229,096)	(7,009,470)
Non-controlling interest	(31,035)	(92,090)	(4,298,534)
Total equity	(₱112,777)	(₱306,967)	(₱12,831,443)

	SRI	Grandway	PT BES
Financial performance:			
General and administrative expense	₱13,796	₱306,971	₱12,834,056
Other income	(121)	(4)	(2,959)
Provision for final tax	24	–	346
Group's share in net loss for the year	82,523	214,877	8,532,909
Non-controlling interest share in net loss for the year	31,176	92,090	4,298,534
Net loss	₱13,699	₱306,967	₱12,831,443
Cash flow:			
Operating activities	(₱42,325)	₱51,846,279	₱38,206,266
Investing activities	–	(51,490,451)	(39,738,641)
Financing activities	–	–	–
Net increase (decrease) in cash and cash equivalents	(₱42,325)	₱355,828	(₱1,532,375)

17. Interest Income

	2013	2012	2011
Interest income on:			
AFS financial assets - debt securities (Note 7)	**₱15,969,439**	₱6,340,763	₱192,855
Cash and cash equivalents (Note 5)	**2,530,679**	11,026,845	11,039,782
Short-term cash investments	–	282,379	32,149
Long-term cash investment	–	57,379	–
	₱18,500,118	₱17,707,366	₱11,264,786

18. Related Party Transactions and Relationships

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

<u>Compensation of Key Management Personnel</u>

a. Shares of stock of the Parent Company held by members of the BOD aggregated to 114,497,245 and 35,777,245 as at December 31, 2013 and 2012, respectively.

b. Compensation of key management personnel consists of short-term employee benefits and post-employment benefits. Short-term employee benefits amounted to ₱10.1 million, ₱11.9 million and ₱10.9 million in 2013, 2012 and 2011, respectively, while, post-employment benefits amounted to ₱4.3 million, ₱3.05 million and ₱1.8 million in 2013, 2012 and 2011, respectively.

Directors' remuneration consists only of per diems for attendance at the BOD and Committee meetings. In 2013, 2012 and 2011, total per diems received by the members of the BOD amounted to ₱1.88 million, ₱2.72 million and ₱2.06 million, respectively. There is no existing compensatory plan or arrangement for directors of the Parent Company.

Remuneration of existing officers of the Group are covered in their employment contracts, and except for retirement benefits under the Group's Retirement Plan, there are no existing compensatory plans or arrangements for officers of the Group.

A stock option plan (SOP) for directors and officers was approved by the stockholders on July 11, 2007, and the exercise period was extended to July 2013. The SEC issued on September 8, 2011 a resolution exempting the SOP from the registration requirements under the Securities Regulation Code.

The Parent Company's outstanding amounts of investments in and advances to subsidiaries which were eliminated in the consolidated level are as follows:

2013

	Investments	**Allowance for Impairment**	**Total**	**Advances**	**Allowance for Impairment**	**Total**
BDIHI	**₱227,085,800**	**₱227,085,800**	**₱–**	**₱21,548,721**	**₱21,439,342**	**₱109,379**
SWR	**75,341,250**	**75,341,250**	**–**	**100,005**	**–**	**100,005**
BBC	**64,000,000**	**64,000,000**	**–**	**5,738,370**	**5,584,083**	**154,287**
iBasic	**53,547,840**	**53,547,840**	**–**	**3,572,039**	**3,346,880**	**225,159**
BGI	**20,000,000**	**–**	**20,000,000**	**–**	**–**	**–**
BEFI	**20,000,000**	**20,000,000**	**–**	**36,975,000**	**36,975,000**	**–**
Grandway	**–**	**–**	**–**	**52,372,365**	**–**	**52,372,365**
	₱459,974,890	**₱439,974,890**	**₱20,000,000**	**₱120,306,500**	**₱67,345,305**	**₱52,961,195**

2012

	Investments	Allowance for Impairment	Total	Advances	Allowance for Impairment	Total
BDIHI	₱227,085,800	₱227,085,800	₱–	₱21,453,057	₱21,439,342	₱13,715
SWR	75,341,250	75,341,250	–	–	–	–
BBC	64,000,000	64,000,000	–	5,584,083	5,584,083	–
iBasic	53,547,840	53,547,840	–	3,386,610	3,346,880	39,730
BGI	20,000,000	–	20,000,000	–	–	–
BEFI	20,000,000	20,000,000	–	36,975,000	36,975,000	–
	₱459,974,890	₱439,974,890	₱20,000,000	₱67,398,750	₱67,345,305	₱53,445

The amounts of transactions with subsidiaries that were eliminated in the consolidated level are as follows:

	Amount of Transactions		Outstanding Receivable Balance		Terms and
Nature of Transaction	**2013**	2012	**2013**	2012	Conditions
BEFI					
Advances	**₱–**	₱–	**₱36,975,000**	₱36,975,000	(*a*), (e)
Collection of advances	–	1,000,000			
BDIHI					
Advances	**111,727**	94,891	**21,548,721**	21,453,057	(*a*), (*b*)
Collection of advances	**16,063**	–			
BBC					
Advances	**156,941**	104,591	**5,738,370**	5,584,083	(*a*), (*d*)
Collection of advances	**2,654**	–			
iBasic					
Advances	**185,429**	125,467	**3,572,039**	3,386,610	(*a*), (*c*)
BGI					
Advances	**86,944**	6,124	–	–	(*a*)
Collection of advances	**86,944**	3,257,969			
SWR					
Advances	**116,709**	67,177	**100,005**	–	(*a*), (f)
Collection of advances	**16,704**	86,385	–	–	
Grandway					
Advances	**52,372,365**	–	**52,372,365**	–	
			120,360,500	67,398,750	
Less: allowance for impairment			**67,345,305**	67,345,305	
			₱52,961,195	₱53,445	

(a) Noninterest bearing, unsecured advances, due and demandable
(b) With allowance for impairment loss amounting to ₱21,439,342 as at December 31, 2013 and 2012
(c) With allowance for impairment loss amounting to ₱3,346,880 as at December 31, 2013 and 2012
(d) With allowance for impairment loss amounting to ₱5,584,083 as at December 31, 2013 and 2012
(e) With allowance for impairment loss amounting to ₱36,975 as at December 31, 2013 and 2012
(f) No impairment loss as of December 31, 2013.

Allowance for impairment loss on investment in subsidiaries amounted to ₱439,974,890 as at December 31, 2013 and 2012. No provision for impairment loss was recognized in 2013 and 2012.

Movement in the allowance for impairment on advances to subsidiaries as follows:

	2013	2012
Beginning balances	**₱67,345,305**	₱68,073,801
Recovery of advances to BEFI	–	(1,000,000)
Provision	–	271,504
Ending balances	**₱67,345,305**	₱67,345,305

Transactions with Retirement Benefit Fund

a. The Parent Company's retirement benefit fund is in the form of a trust being maintained by a trustee bank.

b. The carrying amount and fair value of the retirement benefit fund as of December 31, 2013 and 2012 amounted to ₱5,918,763 and ₱3,459,328, respectively (see Note 20).

c. The assets and investments of the retirement benefit fund as of December 31, 2013 and 2012 follows:

	2013	2012
Special savings deposits	**₱1,895,578**	₱2,557,000
Investment in unit investment trust fund	**1,928,616**	578,361
Investments in bonds	**2,076,808**	520,777
Others	**17,761**	3,190
	₱5,918,763	₱3,659,328

d. In 2013 and 2012, the Parent Company contributed ₱2,500,000 to the retirement benefit fund (see Note 20).

19. General and Administrative Expenses

	2013	2012 (As restated, see Note 2)	2011 (As restated, see Note 2)
Personnel:			
Salaries and wages	**₱13,431,877**	₱14,281,245	₱15,177,229
Other employee benefits	**4,125,341**	7,912,734	3,977,579
Retirement benefits cost	**3,504,951**	3,147,942	1,545,463
Outside Services	**9,517,304**	–	–
Depreciation (Note 12)	**3,264,564**	3,642,532	3,320,565
Taxes and licenses	**3,133,226**	1,130,770	1,429,069
Transportation and travel	**3,054,013**	4,348,504	3,918,400
Professional fees	**2,056,846**	957,196	1,155,124
Representation and entertainment	**2,709,818**	4,643,108	2,675,620
Utilities	**826,642**	897,430	707,605
Annual stockholders meeting	**804,763**	704,205	–
Communication	**802,892**	602,201	706,542
Rent	**510,960**	–	–
Office supplies	**342,334**	278,290	301,551
Donation	**300,000**	31,000	–
Repairs and maintenance	**226,605**	180,144	122,525
Association and membership dues	**219,385**	105,273	93,667
Arbitration and legal fees	–	2,789,877	5,514,720
Provision for impairment of receivables (Note 6)	–	588,375	–
Others	**1,699,238**	3,142,757	1,211,675
	₱50,530,759	₱49,383,583	₱41,857,334

20. Retirement Benefits

The Parent Company maintains a funded, noncontributory defined retirement benefit plan covering all qualified employees. A trustee bank is administering the retirement benefits fund under the supervision of the Board of Trustees of the plan. The Board of Trustees is responsible for investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The Board of Trustees delegates the implementation of the investment.

The following tables summarize the components of retirement benefits cost recognized in the consolidated statements of comprehensive income and the amounts recognized in the consolidated statements of financial position.

The amounts of defined benefit retirement obligation recognized in the consolidated statements of financial position follow:

2013	**Defined Benefit Liability**	**Fair Value of Plan Assets**	**Net Defined Benefit Liability**
At January 1	**₱11,573,100**	**(₱3,659,328)**	**₱7,913,772**
Interest cost (income)	**541,147**	**(247,010)**	**294,137**
Current service cost	**3,210,814**	**–**	**3,210,814**
	3,751,961	**(247,010)**	**3,504,951**
Actuarial losses (gains):			
Change in financial assumptions	**871,900**	**–**	**871,900**
Remeasurement gain (loss)	**–**	**(37,796)**	**(37,796)**
Changes in demographic assumption	**(1,785,190)**	**–**	**(1,785,190)**
	(913,290)	**(37,796)**	**(951,086)**
Benefits paid	**(525,371)**	**525,371**	**–**
Contributions	**–**	**(2,500,000)**	**(2,500,000)**
At December 31	**₱13,886,400**	**(₱5,918,763)**	**₱7,967,637**

2012	Defined Benefit Liability	Fair Value of Plan Assets	Net Defined Benefit Liability
At January 1	₱7,118,000	(₱1,002,500)	₱6,115,500
Interest cost/income	486,159	(68,471)	417,688
Current service cost	2,730,254	–	2,730,254
	3,216,413	(68,471)	3,147,942
Actuarial losses (gains):			
Change in financial assumptions	1,074,400	–	1,074,400
Experience adjustment	280,987	–	280,987
Remeasurement gain/loss	–	(88,357)	(88,357)
Changes in demographic assumption	(116,700)	–	(116,700)
	1,238,687	(88,357)	1,150,330
Contributions	–	(2,500,000)	(2,500,000)
At December 31	₱11,573,100	(₱3,659,328)	₱7,913,772

2011	Defined Benefit Liability	Fair Value of Plan Assets	Net Defined Benefit Liability
At January 1	₱2,356,300	(₱858,600)	₱1,497,700
Interest cost/income	221,000	(77,300)	143,700
Current service cost	1,405,000	–	1,405,000
	1,626,000	(77,300)	1,548,700
Actuarial losses (gains):			
Change in finxancial assumptions	3,135,700	–	3,135,700
Changes in demographic assumption	–	(66,600)	(66,600)
	3,135,700	(66,600)	3,069,100
At December 31	₱7,118,000	(₱(1,002,500)	₱6,115,500

The major categories of the Company's plan assets as a percentage of the fair value of total plan assets are as follows:

	2013	2012
Money market investments	**68%**	98%
Cash in bank and other receivables	**32%**	2%
	100.00%	100.00%

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2013	2012
Discount rate	**5.52%**	6.83%
Salary projection rate	**8.00%**	8.00%

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

	Increase (Decrease)	Salary Increase Rate
Discount rate	14.70%	₱4,629,745
	(12.10%)	(₱3,805,000)
Future salary increase	13.50%	₱4,245,005
	(11.40%)	(₱3,580,450)

The Group expects to contribute ₱2,500,000 to the defined benefit pension plan in 2014.

21. **Income Taxes**

a. Being engaged in petroleum operations in the Philippines, the Parent Company and SWR are entitled to certain tax incentives under Presidential Decree (PD) No. 87, as amended. Under PD No. 87, contractors are exempt from all taxes, except income taxes.

b. Provision for income tax consists of:

	2013	2012 (As restated, see Note 2)	2011 (As restated, see Note 2)
Current	**₱45,827**	₱102,770	₱172,248
Deferred	**3,429,817**	(868,862)	15,846
	3,475,644	(766,092)	188,094
Final tax	**3,679,807**	3,480,804	2,207,689
Capital gains tax (Note 4)	**–**	12,589,629	–
	₱7,155,451	₱15,304,341	₱2,395,783

c. The components of net deferred income tax liabilities recognized by the Group as of December 31, 2013 and 2012 are as follows:

	2013	2012 (As restated, see Note 2)
Deferred income tax assets on:		
Accrued retirement benefits	**₱2,390,291**	₱2,374,132
NOLCO	**210,054**	10,798,613
Other payables	**75,867**	–
Unrealized foreign exchange loss	–	1,227,532
Unrealized loss on AFS financial assets	–	300,443
	2,676,212	14,700,720
Deferred income tax liabilities on:		
Revaluation increment on office condominium	**6,775,416**	7,311,194
Unrealized foreign exchange gain	**2,067,981**	–
Revaluation increment on investment properties	–	9,541,120
	8,843,397	16,852,314
Net deferred income tax liabilities	**₱6,167,185**	₱2,151,594

As at December 31, 2013 and 2012, the Group has temporary difference for which no deferred income tax asset was recognized as management expects that it is not probable that sufficient future taxable profit will be available against which deferred income tax asset can be utilized. Details are as follows:

	2013	2012
NOLCO	**₱122,571,672**	₱141,127,405
Allowance for impairment on:		
Deferred charges	**45,742,635**	45,742,635
AFS financial assets	**4,090,435**	4,090,435
Receivables	**2,732,947**	2,732,947
Pre-operating expenses	**3,415,997**	3,415,997
Excess of MCIT over RCIT	**313,574**	267,747

d. As of December 31, 2013, the Group has NOLCO and MCIT that can be utilized as deduction from future taxable income and income tax due, respectively, follow:

Year Incurred	NOLCO	Excess MCIT over RCIT	Expiry Year
2013	₱40,939,479	₱45,827	2016
2012	40,024,277	102,770	2015
2011	42,308,096	164,977	2014
	₱123,271,852	₱313,574	

NOLCO that expired in 2013, 2012 and 2011 amounted to ₱94,790,412, ₱32,790,994 and ₱73,581,570, respectively. Excess MCIT over RCIT that expired in 2013, 2012 and 2011 amounted to nil, ₱40,097 and ₱196,133, respectively.

For income tax purposes, the BGEC's and BBC's pre-operating expenses totaling ₱3,415,997 as of December 31, 2013 and 2012, respectively, will be amortized over five years from the start of commercial operations.

The reconciliation of the provision for income tax computed at the statutory tax rate to the provision for income tax as shown in the consolidated profit or loss follows:

	2013	2012 (As restated; see Note 2)	2011 (As restated; see Note 2)
Income tax at statutory rates	**(₱5,997,064)**	₱78,252,897	₱35,625,114
Adjustments for:			
Movements of unrecognized deferred income tax assets	**14,031,739**	9,723,633	27,319,489
Interest and dividend income subject to final tax	**(935,696)**	(2,056,983)	(1,173,400)
Nondeductible expenses	**10,645**	1,793,484	–
MCIT	**45,827**	102,770	164,977
Income from previous sale of BPMI subject to capital gains tax	–	(67,486,755)	(59,540,397)
Effect of lower tax rate on fair value adjustments on investment properties	–	(17,614,334)	–
Capital gains tax	–	12,589,629	–
Provision for income tax	**₱7,155,451**	₱15,304,341	₱2,395,783

22. Basic/Diluted Earnings Per Share

The following reflects the income and share data used in the basic and diluted earnings per share computation:

	2013	2012 (As restated, see Note 2)	2011 (As restated, see Note 2)
Net income (loss) attributable to equity holders of the Parent Company (a)	**(₱22,723,865)**	₱245,556,552	₱116,375,241
Transaction cost on potential issuance of common shares	–	(625,000)	(625,000)
Net income attributable to holders of the Parent Company adjusted for the effect of dilution (b)	**(₱22,723,865)**	₱244,931,552	₱115,750,241
Weighted average number of shares for basic earnings per share (c)	**2,527,763,512**	2,442,493,512	2,442,493,512
Stock options (Note 18)	–	500,000,000	500,000,000
Weighted average number of shares adjusted for the effect of dilution (d)	**2,527,763,512**	2,942,493,512	2,942,493,512
Basic earnings (loss) per share (a/c)	**(₱0.009)**	₱0.101	₱0.048
Diluted earnings per share (b/d)	**(0.009)**	0.083	0.039

There have been no other transactions involving common shares or potential common shares between the end of financial reporting period and the date of issuance of these consolidated financial statements.

23. Segment Information

The primary segment reporting format is determined to be divided into business segments for which the Group's risk and rate of return are affected predominantly by differences in the products produced. The operating businesses are organized and managed separately through the Parent Company and its subsidiaries according to the nature of the products provided, with each segment representing a strategic business unit that offers different products to different markets.

As of December 31, 2013 and 2012, the Group has three main business segments - investment holding, agriculture and energy oil and gas exploration.

The Group's operating business segments remain to be neither organized nor managed by geographical segment.

The following table presents certain segment results, assets and liability information regarding the Group's business segments:

2013

	Investment Holding	Energy, Oil and Gas Exploration	Agriculture	Eliminations	Total
Results:					
Income (loss) before income tax	**(₱7,928,153)**	**(₱11,946,372)**	**(₱115,689)**	**₱–**	**(₱19,990,214)**
Provision for income tax	**6,828,524**	**324,945**	**1,982**	**–**	**7,155,451**
Net income (loss)	**(14,756,677)**	**(₱12,271,317)**	**(₱117,671)**	**₱–**	**(27,145,665)**
Assets and Liabilities:					
Segment assets	**₱666,966,231**	**₱110,837,026**	**₱790,798**	**(₱124,765,451)**	**₱653,828,604**
Investment properties	**196,272,343**	**4,362,000**	**–**	**–**	**200,634,343**
Consolidated total assets	**₱863,238,574**	**₱115,199,026**	**₱790,798**	**(₱124,765,451)**	**₱854,462,947**
Consolidated total liabilities	**₱94,477,000**	**₱57,239,848**	**₱36,999,084**	**(₱171,993,789)**	**₱16,722,143**
Other Segment Information:					
Additions to property and equipment	**₱230,673**	**₱226,231**	**₱–**	**₱–**	**₱456,904**
Depreciation	**3,240,625**	**23,939**	**–**	**–**	**3,264,564**

2012

	Investment Holding	Energy, Oil and Gas Exploration	Agriculture	Eliminations	Total
Results:					
Income (loss) before income tax	₱262,667,869	₱397,530	(₱1,493,911)	(₱728,497)	₱260,842,991
Provision for income tax	15,174,240	127,067	3,034	–	15,304,341
Net income (loss)	₱247,493,629	₱270,463	(₱1,496,945)	(₱728,497)	₱245,538,650
Assets and Liabilities:					
Segment assets	₱602,203,531	₱70,664,627	₱951,483	(₱21,155,843)	₱652,663,798
Investment properties	193,479,343	–	–	–	193,479,343
Consolidated total assets	₱795,682,874	₱70,664,627	₱951,483	(₱21,155,843)	₱846,143,141
Consolidated total liabilities	₱37,140,107	₱5,795,167	₱37,042,100	(₱67,398,750)	₱12,578,624
Other Segment Information:					
Provision for impairment loss	₱3,776,778	₱–	₱–	₱–	₱3,776,778
Additions to property and equipment	3,365,792	–	–	–	3,365,792
Depreciation	2,892,146	–	750,386	–	3,642,532

December 31, 2011:

	Investment Holding	Energy, Oil and Gas Exploration	Agriculture	Eliminations	Total
Results:					
Income (loss) before income tax	₱49,693,768	(₱47,136,204)	(₱13,752,470)	₱129,945,287	₱118,750,381
Provision for income tax	2,384,942	9,561	1,280	–	2,395,783
Net income (loss)	₱47,308,826	(₱47,145,765)	(₱13,753,750)	₱129,945,287	₱116,354,598
Assets and Liabilities:					
Segment assets	₱400,445,645	₱67,444,875	₱3,618,236	(₱22,762,038)	₱448,746,718
Investment properties	120,086,298	–	–	–	120,086,299
Consolidated total assets	₱520,531,943	₱67,444,875	₱3,618,236	(₱22,762,038)	₱568,833,017
Consolidated total liabilities	₱37,147,787	₱8,962,252	₱38,211,908	(₱71,344,855)	₱12,977,092
Other Segment Information:					
Provision for impairment losses	₱129,945,287	₱46,731,677	₱2,588,970	(₱129,945,287)	₱49,320,647
Additions to property and equipment	2,707,719	–	29,220	–	2,736,939
Depreciation	2,304,278'	–	1,016,287	–	3,320,565

24. Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Cash and cash equivalents, short-term cash investments, receivables and accounts payable and accrued expenses
Due to the short-term nature of cash and cash equivalents, short-term cash investments, receivables and accounts payable and accrued expenses, the carrying values of these accounts were assessed to approximate their fair values.

Long-term cash investment
Long-term cash investment bears market interest during the time of purchase and thus carrying value of this placement approximate its fair value.

AFS financial assets
AFS financial assets in quoted equity instruments and quoted debt instruments are carried in the consolidated statement of financial position at fair value, which is determined by reference to quoted market prices at the close of business on the reporting date. AFS financial assets in unquoted equity instruments are composed of non-listed shares of common stock and proprietary clubs membership which are carried at cost because fair value cannot be reliably measured. Fair value cannot be reasonably determined because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

Investment Properties
Investment properties are carried in the consolidated statement of financial position at fair value, which reflects market conditions at the reporting date.

Fair Value Hierarchy
As at December 31, 2013 and 2012, the following table presents the level of hierarchy of the Company's AFS debt and equity instruments:

	2013			2012		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Recurring fair value measurements:						
AFS Financial Assets						
Quoted debt securities	**₱317,960,235**	**₱–**	**₱–**	₱262,669,089	₱–	₱–
Quoted equity securities	**78,816,364**	**–**	**–**	43,063,447	–	–
Unquoted equity securities	**–**	**–**	**54,648,364**	–	–	135,248
	396,776,599	**–**	**54,648,364**	305,732,536	–	135,248
Investment properties	**–**	**200,634,343**	**–**	–	193,479,343	–
	₱396,776,599	**₱200,634,343**	**₱54,648,364**	₱305,732,536	₱193,479,343	₱135,248

Fair value of quoted debt and equity securities available-for-sale financial assets is derived from quoted market prices in active markets.

Fair value of investment properties are derived from appraisal reports.

As at December 31, 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

25. Financial Risk Management Objectives and Policies

The Group's financial instruments consist of cash and cash equivalents, short-term and long-term cash investments, receivables, AFS financial assets, accounts payables and dividends payable. Cash and cash equivalents, short-term and long-term cash investments and AFS financial assets are used for investment purposes, while receivables, accounts payable and dividends payable arise from operations.

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk and liquidity risk. The Group has no significant exposure to interest rate risk as of December 31, 2013 and 2012. The Group's overall risk management program focuses on minimizing the potential adverse effects on the Group's financial performance due to unpredictability of financial markets.

The Group's exposures to these risks are managed through close monitoring by the Group's key management and BOD through the Finance and Investments Committee.

Foreign exchange risk
Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial statements. Fluctuations in exchange rates can have significant effects on the Group's reported results. The Group is exposed to foreign exchange risk arising from its foreign currency-denominated cash, receivable and AFS financial assets accounts. The Group's policy is to minimize economic and material transactional exposures arising from currency movements against the Peso.

The Group's foreign currency-denominated exposures comprise significantly of its exposure in its US$, Euro and Great Britain Pound (GBP), and Indonesia Rupiah (IDR) financial assets.

The Group's significant foreign currency-denominated financial assets as of December 31, 2013 and 2012 are as follows:

	2013		2012	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Assets:				
Cash and cash equivalents:				
US$	**1,463,831**	**₱64,986,777**	1,408,626	₱57,824,097
IDR	**60,456,142**	**217,642**	–	–
Receivable from FEP - US$	**–**	**–**	1,000,000	41,050,000
Short-term investments - US$	**–**	**–**	200,000	8,210,000
Long-term investment - US$	**–**	**–**	150,000	6,157,500
AFS financial assets:				
Quoted equity investments:				
US$	**9,000**	**399,555**	15,500	636,275
GBP	**8,300**	**605,045**	5,850	387,972
		₱66,209,019		₱114,265,844

For purposes of translating the foreign currency-denominated monetary assets and liabilities as of December 31, the exchange rates applied were as follows:

	2013	2012
US$	**44.395**	41.05
GBP	**72.897**	66.32
IDR	**0.0036**	-

The following table summarizes the impact on the consolidated financial statements of reasonably possible changes in the exchange rates of foreign currencies against the Peso as at December 31, 2013 and 2012 until the Group's next financial reporting date:

	Change in US$ rate	Increase (decrease) in income before income tax
2013	**+ 8%**	**₱5,230,907**
	- 8%	**(5,230,907)**
2012	+ 6%	6,832,672
	- 6%	(6,832,672)

	Change in GBP rate	Increase (decrease) in income before income tax
2013	**+ 10%**	**₱60,505**
	- 10%	**(60,505)**
2012	+ 2%	7,759
	- 2%	(7,759)

	Change in IDR rate	Increase (decrease) in income before income tax
2013	**+ 16%**	**₱34,823**
	- 16%	**(34,823)**

There is no other effect on the Group's equity other than those already affecting the consolidated income before income tax.

Price risk
Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to equity securities price risk because of investments held by the Group, which are classified on the consolidated statements of financial position as AFS financial assets. The Group employs the service of a third party stock broker to manage its investment in shares of stock.

The following table presents the effect on the consolidated financial statements of reasonably possible changes in market prices of AFS financial assets - quoted equity and debt securities as of December 31, 2013 and 2012 until the Group's next financial reporting date:

	Change in Quoted Prices of Investments Carried at Fair Value	Increase (decrease) in equity
2013		
AFS financial assets	**Increase by 9%**	**₱35,709,915**
AFS financial assets	**Decrease by 9%**	**(35,709,915)**
2012		
AFS financial assets	Increase by 9%	27,515,928
AFS financial assets	Decrease by 9%	27,515,928

Credit risk
Credit risk is the risk that the Group will incur a loss because its counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by doing business only with recognized, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group does not have any collateral held as security and other credit enhancements on its financial assets as of December 31, 2013 and 2012. Therefore, the Group's maximum exposure to credit risk is equal to the carrying amount of its financial assets as at December 31, 2013 and 2012.

It is the Group's policy to maintain the receivables at a low level except for one-time non-trade transaction which the Group classifies under the collectible/not impaired because the parties have no history of default especially on transactions as agreed on the contract.

The following table provides information regarding the credit quality by class of financial assets (amounts gross of allowance for credit losses) based on the Group's credit rating system:

	2013		
	Neither Past Due nor Impaired (Satisfactory)	**Past Due And Impaired**	**Total**
Loans and receivable:			
Cash and cash equivalents*	**₱80,536,778**	**₱–**	**₱80,536,778**
Receivables:			
Interest receivable	**1,693,932**	**–**	**1,693,932**
Other receivables	**1,337,967**	**2,732,947**	**4,070,914**
	3,031,899	**2,732,947**	**5,764,846**
AFS financial assets:			
Debt securities - quoted, at fair value	**317,960,235**	**–**	**317,960,235**
Quoted equity investments	**78,816,597**	**–**	**78,816,597**
Unquoted equity investments	**54,648,364**	**4,090,435**	**58,738,799**
	451,425,196	**4,090,435**	**455,515,631**
	₱534,993,873	**₱6,823,382**	**₱541,817,255**

**Excluding cash on hand.*

	2012		
	Neither Past Due nor Impaired (Satisfactory)	Past Due And Impaired	Total
Loans and receivable:			
Cash and cash equivalents*	₱202,425,948	₱–	₱202,425,948
Short-term cash investments	8,210,000	–	8,210,000
Receivables:			
Receivable from FEP	41,050,000	–	41,050,000
Interest receivable	2,033,495	–	2,033,495
Other receivables	2,367,070	2,732,947	5,100,017
Long-term cash investment	6,157,500	–	6,157,500
	51,608,065	2,732,947	54,341,012
AFS financial assets:			
Debt securities - quoted, at fair value	262,669,089	–	262,669,089
Unquoted equity investments	135,248	4,090,435	4,225,683
	262,804,337	4,090,435	266,894,772
	₱525,048,350	₱6,823,382	₱531,871,732

**Excluding cash on hand.*

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

Financial instruments classified as "high grade" are those cash and cash equivalents and cash investments transacted with reputable local and multi-national banks and receivables with some history of default on the agreed terms of the contract. AFS financial assets are considered "high grade" since these are invested in blue chip shares of stock. "Past due and impaired" are those that are long outstanding and has been fully provided with an allowance for doubtful accounts. There are no past due but not impaired receivables as of December 31, 2013 and 2012, respectively.

Concentrations of credit risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. There are no significant concentrations of credit risk within the Group arising from financial assets since these are not directly affected by changes in economic or other external conditions.

Liquidity risk

Liquidity risk is defined as the risk that the Group could not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management. Management also ensures that the Group will maximize its gain on trading of marketable securities to finance future capital intensive projects. The Group manages its liquidity risk on a consolidated basis based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The Group manages its liquidity profile to be able to finance its working capital requirements and capital expenditures and service due and maturing debts. To cover its financing requirements, the Parent Company intends to use internally generated funds. The BOD closely monitors the Parent Company's financial position during its regular meetings.

The table below summarizes the maturity profile of the financial instruments of the Group based on remaining contractual undiscounted cash flows:

	2013			
	Less than 3 months	More than 3 months but less than one year	More than one year	Total
Financial assets				
Loans and receivable:				
Cash and cash equivalents	₱80,542,774	₱–	₱–	₱80,542,774
Receivables:				
Accrued interest receivable	1,693,932	–	–	1,693,932
Other receivables	1,337,967	–	–	1,337,967
	83,574,673	–	–	83,574,673
AFS financial assets - Quoted debt Securities	–	55,291,146	262,669,089	317,960,235
	83,574,673	55,291,146	262,669,089	401,534,908
Financial liabilities				
Loans and borrowings:				
Accounts payable and accrued expenses:				
Accounts payable	978,554	–	–	978,554
Dividends payable	–	888,714	–	888,714
	978,554	888,714	–	1,867,268
Net liquidity position	₱82,596,119	₱54,402,432	₱262,669,089	₱399,667,640

	2012			
	Less than 3 months	More than 3 months but less than one year	More than one year	Total
Financial assets				
Loans and receivable:				
Cash and cash equivalents	₱202,436,999	₱–	₱–	₱202,436,999
Short-term cash investments	–	8,210,000	–	8,210,000
Receivables:				
Receivable from FEP	41,050,000	–	–	41,050,000
Accrued interest receivable	2,033,495	–	–	2,033,495
Other receivables	2,367,070	–	–	2,367,070
Long-term cash investment	–	–	6,157,500	6,157,500
	247,887,564	8,210,000	6,157,500	262,255,064
AFS financial assets - Quoted debt Securities	–	–	262,669,089	262,669,089
	247,887,564	8,210,000	268,826,589	524,924,153
Financial liabilities				
Loans and borrowings:				
Accounts payable and accrued expenses:				
Accounts payable	1,163,608	–	–	1,163,608
Dividends payable	–	888,714	–	888,714
	1,163,608	888,714	–	2,052,322
Net liquidity position	₱246,723,956	₱7,321,286	₱268,826,589	₱522,871,831

Capital Management

The objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares. No changes were made on the objectives, policies or processes during the years ended December 31, 2013 and 2012.

Management of working capital focuses on short-term decisions relating to cash and cash equivalents and other current assets and liabilities. The goal of working capital management is to ensure that the Group is able to continue its business operations and that it has sufficient funds to satisfy maturing current liabilities and operating expenses.

As of December 31, 2013 and 2012, the Group is not subject to any externally imposed capital requirements.

The table below summarizes the total capital considered by the Group:

	2013	2012
Capital stock	**₱631,940,878**	₱610,623,378
Additional paid-in capital	**32,699,360**	32,699,360
Retained earnings	**133,574,416**	155,048,133
	₱798,214,654	₱798,370,871

26. Supplementary Disclosures to Statement of Cash Flows

Non-cash activities in 2013 pertain to the following:

Financing activity	
Exercise of stock option	₱6,675,000
Decrease in deposits for future stock subscription	(6,675,000)

SGV
Building a better working world

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

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Basic Energy Corporation
7th Floor, Basic Petroleum Building
C. Palanca, Jr. Street, Legaspi Village
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Basic Energy Corporation and its subsidiaries as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, included in this Form 17-A, and have issued our report thereon dated March 26, 2014. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-3 (Group A),
March 21, 2013, valid until March 20, 2016
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225164, January 2, 2014, Makati City

March 26, 2014

BASIC ENERGY CORPORATION AND SUBSIDIARIES

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Schedule I	:	Supplementary schedules required by Annex 68-E
Schedule II	:	Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C; Annex 68-C)
Schedule III	:	Map of the relationships of the companies within the group (for investments houses that are part of a conglomerate; Part 1, 4H)
Schedule IV	:	Schedule of all effective standards and interpretation (Part 1, 4J)

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS PURSUANT TO SRC RULE 68 AS AMENDED

DECEMBER 31, 2013

	2013	2012
Profitability ratios:		
Return on assets	**(3%)**	29%
Return on equity	**(3%)**	29%
Net profit margin	**0%**	0%
Solvency and liquidity ratios:		
Current ratio	**32.95:1**	102.47:1
Debt to equity ratio	**0.02:1**	0.02:1
Quick ratio	**32.30:1**	101.90:1
Asset to equity ratio	**1.02:1**	1.02:1

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

Schedule A. Financial Assets

AFS financial assets

Description	Beginning balances	Additions at cost	Increase (decrease) in fair value, net	Ending balances
Debt securities – quoted, at fair value	₱243,921,267	₱38,000,000	₱36,038,968	₱317,960,235
Investments in shares of stock:				
Quoted	43,063,447	38,427,858	(2,674,708)	78,816,597
Unquoted	135,248	54,513,116	–	54,648,364
	43,198,695	92,940,974	(2,674,708)	133,464,961
	₱287,119,962	₱130,940,974	₱33,364,260	₱451,425,196

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

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

Name and designation of debtor	Beginning balances	Additions	Amounts collected	Amounts written off	Current	Not current	Ending balances
Advances to Officers and Employees	₱1,955	₱1,336,964	₱1,327,394	₱–	₱–	₱–	₱11,525

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

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

Name and designation of debtor	Beginning balances	Additions	Amounts collected	Amounts written off	Current	Not current	Ending balances
BEFI	₱36,975,000	₱–	₱–	₱–	₱–	₱–	₱36,975,000
BDIHI	₱21,453,057	₱111,727	₱16,063	₱–	₱–	₱–	₱21,548,721
BBC	₱5,584,083	₱156,941	₱2,654	₱–	₱–	₱–	₱5,738,370
iBasic	₱3,386,610	₱185,429	₱–	₱–	₱–	₱–	₱3,572,039
BGI	₱–	₱86,944	₱86,944	₱–	₱–	₱–	₱–
SWR	₱–	₱116,709	₱16,704	₱–	₱–	₱–	₱100,005
Grandway	₱–	₱52,372,365	₱–	₱–	₱–	₱–	₱52,372,365

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

Schedule D. Intangible Assets - Other Noncurrent Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Goodwill	₱3,757,602	₱–	₱–	₱–	₱–	₱3,757,602

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption 'Current position of long term debt' in related statement of financial position	Amount shown under caption 'Long Term Debt' in related statement of financial position
	- Not applicable -		

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
	- Not applicable -	

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by a person for which statement is filed	Nature of guarantee
		- Not applicable -		

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

Schedule H. Capital Stock

				No of shares held by		
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for options, warrants, conversion and other rights	Affiliates	Directors and Officers	Others
Common shares	10,000,000,000	1,758,145,455	414,730,000	3,240,000	114,597,245	1,643,648,210

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION (Part 1, 4C; Annex 68-C)
DECEMBER 31, 2013

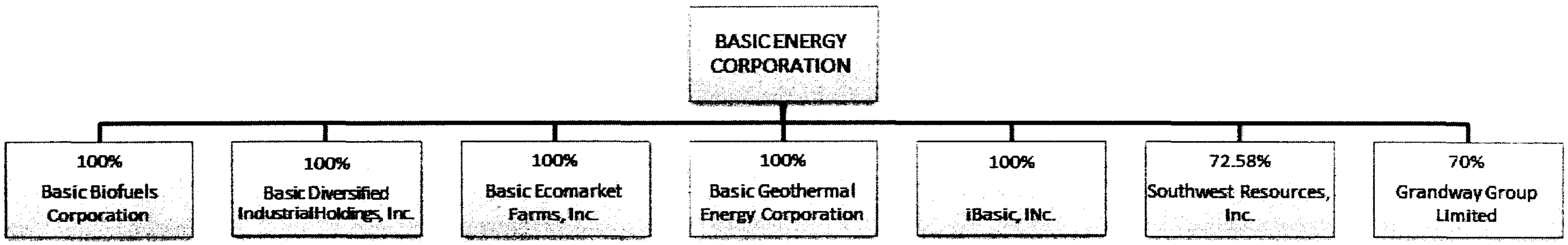
Unappropriated Retained Earnings, beginning		**₱72,573,979**
Fair value adjustment of investment property		(77,052,843)
Unappropriated Retained Earnings, as adjusted, beginning		(4,478,864)
Net loss during the period closed to retained earnings	(19,241,063)	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	1,112,122	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of investment property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP - gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	129,856	
Subtotal	1,241,978	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	1,250,148	
Adjustment due to deviation from PFRS/GAAP - loss	–	
Subtotal	1,250,148	
Net Income (Loss) Actual/Realized		(19,232,893)
Add (Less):		
Dividend declarations during the period	–	
Appropriations of retained earnings based on 10% of December 31, 2013 audited net income	–	
Reversals of appropriations	–	
Treasury shares	(3,240,000)	
Subtotal	(3,240,000)	
Unappropriated Retained Earnings, as adjusted, ending		**₱–***

**Unappropriated Retained Earnings amounts to (₱26,951,757)*

SCHEDULE III

BASIC ENERGY CORPORATION AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP (PART 1, 4H)



SCHEDULE IV

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS (PART 1, 4J)

List of Philippine Financial Reporting Standards (PFRS) [which consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&A's effective as of December 31, 2013:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2013**		**Adopted**	**Not Early Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
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 PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities		✓	
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
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 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
PAS 32	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
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 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

The Group has not early adopted any PFRSs, PAS and Philippine Interpretations effective January 1, 2014 onwards.