Basic Energy Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2015 and 2014
and Years Ended December 31, 2015,
2014 and 2013

and

Independent Auditors' Report

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Basic Energy Corporation and Subsidiaries

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, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years ended in the period December 31, 2015 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.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Basic Energy Corporation and Subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

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PTR No. 5321628, January 4, 2016, Makati City

March 30, 2016

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱201,015,066	₱47,143,661
Receivables (Note 6)	2,460,790	3,644,289
Prepayments and other current assets (Note 7)	4,195,650	2,295,616
Total Current Assets	207,671,506	53,083,566
Noncurrent Assets		
Available-for-sale (AFS) financial assets (Note 8)	160,410,490	364,298,764
Investment properties (Note 9)	203,424,809	203,458,387
Deferred exploration costs (Note 4 and 10)	223,495,457	206,602,182
Property and equipment (Note 11)		
At cost	3,064,605	4,141,763
At revalued amount	18,968,904	21,003,979
Deferred income tax asset (Note 20)	5,586,567	6,846,316
Other noncurrent assets	4,616,447	3,757,602
Total Noncurrent Assets	619,567,279	810,108,993
TOTAL ASSETS	₱827,238,785	₱863,192,559
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 12)	₱4,782,549	₱13,320,450
Income tax payable	986,240	97,391
Dividends payable	888,714	888,714
Total Current Liabilities	6,657,503	14,306,555
Noncurrent Liability		
Accrued retirement benefits (Note 19)	13,694,736	11,913,169
Total Liabilities	20,352,239	26,219,724
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - ₱0.25 par value		
Authorized - 10,000,000,000 shares		
Issued - 1,758,770,455 and 1,758,145,455 shares in 2015 and 2014, respectively (Note 13)	640,029,628	639,873,378
Additional paid-in capital	32,699,360	32,699,360
Revaluation increment in office condominium (Note 11)	12,805,479	14,630,975
Net unrealized gains on changes in fair value of AFS financial assets (Note 8)	5,527,352	36,178,097
Remeasurement loss on accrued retirement benefits	(4,564,364)	(5,010,165)
Cumulative translation adjustment	(1,045,732)	(2,105,599)
Retained earnings	138,443,999	131,173,688
Total equity attributable to equity holders of the Parent Company	823,895,722	847,439,734
Non-controlling interests	(13,769,176)	(7,226,899)
	810,126,546	840,212,835
Treasury stock - at cost (Note 14)	(3,240,000)	(3,240,000)
Total Equity	806,886,546	836,972,835
TOTAL LIABILITIES AND EQUITY	₱827,238,785	₱863,192,559

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2015	2014	2013
OTHER INCOME (CHARGES)			
Gain on sale of AFS financial assets (Note 8)	**₱45,002,263**	₱11,830,398	₱–
Dividend income (Note 8)	**5,985,400**	5,145,575	3,000,953
Interest income (Note 16)	**5,631,656**	16,927,917	18,500,118
Others	**(6,153,664)**	205,713	9,039,474
	50,465,655	34,109,603	30,540,545
GENERAL AND ADMINISTRATIVE EXPENSES (Note 18)	**48,480,563**	49,337,106	50,530,759
INCOME (LOSS) BEFORE INCOME TAX	**1,985,092**	(15,227,503)	(19,990,214)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20)			
Current	**2,104,723**	3,429,465	3,725,629
Deferred	**1,068,692**	(12,025,391)	3,429,822
	3,173,415	(8,595,926)	7,155,451
NET LOSS	**(₱1,188,323)**	(₱6,631,577)	(₱27,145,665)
NET LOSS ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**₱5,444,815**	(₱3,579,062)	(₱22,723,865)
Non-controlling interest	**(6,633,138)**	(3,052,515)	(4,421,800)
	(₱1,188,323)	(₱6,631,577)	(₱27,145,665)
EARNINGS (LOSS) PER SHARE (Note 21)			
Basic/Diluted	₱0.002	(₱0.001)	(₱0.009)

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2015	2014	2013
NET LOSS	(₱1,188,323)	(₱6,631,577)	(₱27,145,665)
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Unrealized gains (loss) on AFS financial assets (Note 8)	(30,650,745)	2,813,837	15,294,875
Cumulative translation adjustment	1,059,867	(2,577,141)	718,817
	(29,590,878)	236,696	16,013,692
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on retirement benefits liability (Note 19)	636,858	(3,293,697)	951,086
Income tax effect	(191,057)	988,109	(285,326)
	445,801	(2,305,588)	665,760
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	(29,145,077)	(2,068,892)	16,679,452
TOTAL COMPREHENSIVE LOSS	(₱30,333,400)	(₱8,700,469)	(₱10,466,213)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Equity holders of the Parent Company	(₱23,791,113)	(₱5,895,229)	(₱6,044,413)
Non-controlling interest	(6,542,287)	(2,805,240)	(4,421,800)
	(₱30,333,400)	(₱8,700,469)	(₱10,466,213)

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 13)	Additional Paid-in Capital (Note 13)	Deposit for Future Stock Subscription (Note 13)	Revaluation Increment in Office Condominium (Note 11)	Net unrealized gain (loss) on changes in fair value of AFS Financial Assets (Note 8) Equity	Debt	Remeasurement Loss on Accrued Retirement benefits	Retained Earnings (Deficit)	Cumulative Translation Adjustment	Total	Non-controlling Interest (NCI)	Treasury Stock	Total Equity
Balances at December 31, 2012	₱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 loss, net of tax	–	–	–	–	(1,803,799)	17,098,674	665,760	–	718,817	16,679,452	–	–	16,679,452
Total comprehensive loss	–	–	–	–	(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
Net loss	–	–	–	–	–	–	–	(3,579,062)	–	(3,579,062)	(3,052,515)	–	(6,631,577)
Other comprehensive loss, net of tax	–	–	–	–	1,185,524	1,628,313	(2,305,588)	–	(2,577,141)	(2,068,892)	247,275	–	(1,821,617)
Total comprehensive loss	–	–	–	–	1,185,524	1,628,313	(2,305,588)	(3,579,062)	(2,577,141)	(5,647,954)	(2,805,240)	–	(8,453,194)
Increase in capital stock	7,932,500	–	–	–	–	–	–	–	–	7,932,500	–	–	7,932,500
Transfer of portion of revaluation increment realized through depreciation	–	–	–	(1,178,334)	–	–	–	1,178,334	–	–	–	–	–
Share of NCI in CTA	–	–	–	–	–	–	–	–	(247,275)	(247,275)	–	–	(247,275)
Balances at December 31, 2014	639,873,378	32,699,360	–	14,630,975	(1,489,184)	37,667,281	(5,010,165)	131,173,688	(2,105,599)	847,439,734	(7,226,899)	(3,240,000)	836,972,835
Net income (loss)	–	–	–	–	–	–	–	5,444,815	–	5,444,815	(6,633,138)	–	(1,188,323)
Other comprehensive loss, net of tax	–	–	–	–	4,816,396	(35,467,141)	445,801		969,006	(29,235,938)	90,861	–	(29,145,077)
Total comprehensive loss	–	–	–	–	4,816,396	(35,467,141)	445,801	5,444,815	969,006	(23,791,123)	(6,542,277)	–	(30,333,400)
Issuance of capital stock	156,250	–	–	–	–	–	–	–	–	156,250	–	–	156,250
Transfer of portion of revaluation increment realized through depreciation	–	–	–	(1,825,496)	–	–	–	1,825,496	–	–	–	–	–
Share of NCI in CTA	–	–	–	–	–	–	–	–	90,861	90,861	–	–	90,861
Balances at December 31, 2015	₱640,029,628	₱32,699,360	₱–	₱12,805,479	₱3,327,212	₱2,200,140	(₱4,564,364)	₱138,443,999	(₱1,045,732)	₱823,895,722	(₱13,769,176)	(₱3,240,000)	₱806,886,545

See accompanying Notes to Consolidated Financial Statements

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	₱1,985,092	(₱15,227,503)	(₱19,990,214)
Adjustments for:			
Gain on sale of AFS financial assets	(45,002,263)	(11,830,398)	–
Dividend income	(5,985,400)	(5,145,575)	(3,000,953)
Interest income (Note 16)	(5,631,656)	(16,927,917)	(18,500,118)
Depreciation and amortization (Note 18)	3,575,378	3,486,723	3,264,564
Movements in accrued retirement benefits (Note 19)	2,418,425	651,835	1,004,951
Unrealized foreign exchange losses (gains) - net	584,471	1,880,581	(6,893,272)
Fair value adjustment on investment properties (Note 9)	33,578	(2,824,044)	(2,155,000)
Gain on sale of property and equipment - net	(1,612)	–	–
Others	–	–	(790,398)
Operating loss before working capital changes	(48,023,987)	(45,936,298)	(47,060,440)
Decrease (increase) in:			
Short-term cash investments	–	–	8,210,000
Receivables	1,183,499	(612,390)	44,112,598
Prepayments and other current assets	(1,900,034)	(619,385)	(245,776)
Increase (decrease) in accounts payable and accrued expenses	(8,537,901)	11,621,828	74,068
Cash generated from (used in) operations	(57,278,423)	(35,546,245)	5,090,450
Interest received	5,631,656	16,952,915	16,806,186
Income taxes paid (including final taxes on interest income)	(1,215,874)	(3,377,902)	(3,725,985)
Net cash flows from (used in) operating activities	(52,862,641)	(21,971,232)	18,170,651
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of AFS financial assets	291,886,917	101,764,074	–
Additions to:			
AFS financial assets	(73,647,126)	–	(126,688,325)
Deferred exploration costs (Note 10)	(16,893,275)	(121,067,100)	(40,349,668)
Other noncurrent assets	(858,845)	–	–
Property, plant and equipment	(567,715)	(772,646)	(456,904)
Investment property (Note 9)	–	–	(5,000,000)
Dividends received	5,985,400	5,145,575	3,000,953
Proceeds from sale of property and equipment	106,180	–	–
Net movements from long-term cash investment	–	–	6,157,500
Net cash flows from (used in) investing activities	206,011,536	(14,930,097)	(163,336,444)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of capital stock	156,250	7,932,500	–
Exercise of stock option	–	–	14,642,500
Cash flows from financing activities	156,250	7,932,500	14,642,500
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	153,305,145	(28,968,829)	(130,523,293)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	566,260	(4,430,284)	8,629,068
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	47,143,661	80,542,774	202,436,999
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	₱201,015,066	₱47,143,661	₱80,542,774

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
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 on September 19, 1968. 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.

On May 28, 2014, July 10, 2014 and September 10, 2014, the Board of Directors (BOD), the stockholders and SEC, respectively, approved the amendments of the Parent Company's Articles of Incorporation and By-laws to specify the principal address from Makati City to 7th Floor, Basic Petroleum Building, C. Palanca Jr. Street, Legaspi Village, Makati City and to change the date of annual meeting of stockholders from any day of May to the last Wednesday of June or such date and time as the BOD may fix prior to June of each year, respectively.

Authorization for Issuance of the Consolidated Financial Statements
The consolidated financial statements as at December 31, 2015, 2014 and for the years ended December 31, 2015, 2014 and 2013, were authorized for issuance by the BOD during its meeting on March 30, 2016.

2. Basis of Preparation, Basis of Consolidation, 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 quoted 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 and presentation currency. Amounts are rounded off to the nearest Philippine Peso unless otherwise indicated.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at December 31, 2015 and 2014.

Subsidiaries
Subsidiaries are entities over which the Parent Company has control.

The Parent Company controls an investee if, and only if, the Parent Company has:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

Consolidated statement of income and each component of consolidated statement of comprehensive income are attributed to the equity holders of the Parent Company and to the non-controlling interest even if this results in the NCI having a deficit balance.

The ownership of the Parent Company over the following subsidiaries as of December 31, 2015 and 2014 are as follows:

Subsidiaries	2015	2014	Nature of Business
Basic Diversified Industrial Holdings, Inc. (BDIHI)	**100.00**	100.00	Investment holding
iBasic, Inc. (iBasic)	**100.00**	100.00	Real estate (no development activities) and information technology
Basic Renewables, Inc. (BRI)	**100.00**	100.00	Exploration and development of renewable energy resources
Basic Biofuels Corporation (BBC)	**100.00**	100.00	Development of biofuels (no development activities)
Basic Geothermal Energy Corporation (BGEC)	**100.00**	100.00	Exploration and development of geothermal energy resources
Southwest Resources, Inc. (SRI)	**72.58**	72.58	Oil exploration and investment holding
Grandway Group Limited (Grandway)	**70.00**	70.00	Investment holding
PT Basic Energi Solusi (PT BES)	**66.50**	66.50	Oil exploration

NCI
NCI represents interest in a subsidiary that is not owned, directly or indirectly, by the Parent Company.

NCI represents the portion of profit or loss and the net assets not used by the Group. Transactions with NCI are accounted for using the entity concept method whereby the difference between the consideration and the book value of the share in net assets is recognized as an equity transaction. NCI represents the 27.42% equity interest in the net assets of SRI, 30% equity interest in the net assets of Grandway and 33.50% equity interest in the net asset of PT BES and as at December 31, 2015 and 2014.

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 NCI
- 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.

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.

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS which were adopted by the Group as at January 1, 2015:

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendment has no effect to the Group, since they have no defined benefit contribution plan with contributions from employees and third parties.

Improvements to PFRS

Improvements to PFRS, an omnibus of amendments to standards, deal primarily with a view of removing inconsistencies and clarifying wordings. These are separate transitional provisions for each standard. These include:

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a significant effect to the Group. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service

- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

The improvements have a significant effect on the Group's financial position or performance.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively and clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss (FVPL) whether or not it falls within the scope of PAS 39 (or PFRS 9, *Financial Instruments*, if early adopted). The amendment does not have an effect on the Group's financial position and performance, but the Group will consider this amendment for future business combination.

- 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 are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  The amendments are expected to have an effect on the Group since it has operating segments.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets- Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment is expected to have no significant effect on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment affects disclosure only and has no effect on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a significant effect to the Group. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Ventures*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  This is not relevant to the Group since it has no joint arrangements.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (*or PFRS, if early adopted*). The amendment affects disclosure only and has no effect on the Group's financial position or performance.

- PAS 40, *Investment Property - Clarifying the Interrelationship of PFRS 3 and PAS 40 When Classifying Property as Investment Property or Owner-Occupied Property*
  The description of ancillary services in PAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The amendment has no effect on the Group's financial position or performance.

Future Changes in Accounting Policies
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any significant effect on the financial statements of the Group.

Effective Date to be Determined:

- 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 interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The Securities and Exchange Commission 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 (IASB) 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 effect on the financial statements of the Group.

Effective January 1, 2016:

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments)
These amendments address and acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. These amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The Group is currently assessing the effect of adopting this standard.

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception (Amendments)
These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments will not have any effect on the Group's financial statements.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Group.

- PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rateregulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rateregulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning

on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- PAS 1, *Disclosure Initiative* (Amendment)
  The amendments clarify the following:
  - The materiality requirements in PAS 1;
  - That specific line items in the statements of comprehensive income and the statement of financial position may be disaggregated;
  - That entities have flexibility as to the order in which they present the notes to financial statements; and
  - That the share of other comprehensive income (OCI) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets* - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture* - Bearer Plants (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements* - Equity Method in Separate Financial Statements (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to

apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any effect on the Group's consolidated financial statements.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a significant effect to the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The Group shall consider this amendment for future disposal, if there are any.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments. These amendments are not expected to have any effect to the Group.

- PFRS 7, *Applicability of the Offsetting Disclosures to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. The amendment affects disclosure only and has no effect on the Group's financial position or performance.

- PAS 19, *Employee Benefits -Regional Market Issue Regarding Discount Rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is not relevant to the Group.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The amendment affects disclosure only and has no effect on the Group's financial position or performance.

Effective January 1, 2018:

- PFRS 9, *Financial Instruments*
  In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9, *Financial Instruments.* The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: *Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and methodology for financial assets, but will have no effect on the classification and measurement of the Group's financial liabilities.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the effect of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective January 1, 2019:

- IFRS 16, *Leases*
  On January 13, 2016, the IASB issued its new standard, IFRS 16, Leases, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations. Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

The revised, amended and additional disclosures or accounting changes provided by the standards and interpretations will be included in the financial statements in the year of adoption, if applicable.

Summary of Significant Accounting and Financial Reporting Policies

Presentation of Consolidated Financial Statements
The Group has elected to present all items of recognized income and expense in a separate statement of income and a separate statement of comprehensive income.

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the financial reporting period. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing as at the date of the initial transactions. Nonmonetary items measured at the fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. All differences are taken to "Other income" in the consolidated statement of income.

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

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the end of the financial reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the end of the financial reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the end of the financial reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the end of the financial reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and deferred income tax liabilities are netted in the consolidated statement of financial position under noncurrent items.

Cash and Cash Equivalents
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.

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of Recognition
The Group recognizes a financial asset or a financial liability in the consolidated 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
The Group determines the classification of financial instruments at initial recognition and where allowed and appropriate, re-evaluates this designation at every end of the financial reporting period.

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
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 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, 2015 and 2014, 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, 2015 and 2014.

Fair Value Measurement
The Group measures AFS financial assets and investment properties, 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 nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

An analysis of the fair values of AFS financial assets and investment properties and further details as to how they are measured are provided in Note 23.

"Day 1" Difference
Where the transaction price in anon-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variable include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing "Day 1" difference amount.

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 consolidated 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 amortization losses arising from impairment are recognized in the consolidated 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 and receivables as at December 31, 2015 and 2014 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, 2015 and 2014, included under AFS financial assets are the Group's investments in shares of stock and government bonds (see Note 8).

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 recognition, loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization shall be included in other charges in the consolidated statement of comprehensive income.

Loans and borrowings are included in current liabilities if settlement is to be made within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent liabilities.

As at December 31, 2015 and 2014, included in loans and borrowings are the Group's accounts payable and accrued expenses and dividends payable (see Note 12).

Impairment of Financial Assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables
For financial assets carried at amortized cost, the Group first assesses individually 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 present value of the estimated future cash flows is discounted at the financial assets' original EIR. 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 statement of income.

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 statement of comprehensive income.

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 statement of comprehensive income is removed from OCI and recognized in consolidated statement of comprehensive income.

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 statement of comprehensive income.

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.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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.

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 twelve (12) months after the reporting period are classified as current assets otherwise, these are classified as other noncurrent assets.

Input Value-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.

Deferred Charges and Project Development Costs
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 resource 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.

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 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.

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	3
Building and Building improvements	15
Transportation equipment	5

The assets' estimated useful lives and depreciation 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 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 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.

Other Noncurrent Assets
This account comprises goodwill and receivables. Other current assets that are expected to be realized for more than 12 months after the end of the reporting period are classified as noncurrent assets, otherwise, these are classified as other current assets.

Impairment of Nonfinancial Assets
Property and Equipment and Other Noncurrent Assets
The Group assesses at each reporting period 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 cash generating unit (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.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount to which goodwill has been allocated, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative fair values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses relating to goodwill cannot be reversed in future periods.

Deferred Exploration Costs and Project Development Costs
The Group assesses at each reporting period whether there is an indication that its deferred exploration costs and project development costs may be impaired. If any indication exists, or when an annual impairment testing for such items is required, the Group makes an estimate of their recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use, and is determined for an individual item, unless such item does not generate cash inflows that are largely independent of those from other assets or group of assets or CGUs. When the carrying amount exceeds its recoverable amount, such item is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows to be generated by such items are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognized in the consolidated statement of income.

<u>Capital Stock and Additional Paid-in Capital</u>
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 Loss

Other comprehensive 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.

Basic/Diluted Earnings Per Share (EPS)

Basic EPS

Basic EPS amounts are calculated by dividing the net income attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

Diluted EPS

Diluted EPS amounts are calculated by dividing the net income attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares, excluding treasury shares.

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.

Leases
Determination of Whether an Arrangement Contains a Lease
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.
A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset;or
d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Operating Leases - Group as a Lessee
Operating leases represent those leases under which substantially all risks and rewards of ownership of the leased assets remains with the lessors. Noncancellable operating lease payments are recognized under "General and administrative expenses" in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

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 statement of income.

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.

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 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;
- 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;

- 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.

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

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
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 the reporting period (adjusting events) are reflected in the Group's consolidated 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, Estimates and Assumptions

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

Judgments
In the process of applying the 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:

Reserves Estimation
The Group estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates.

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 Philippine 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.

Determination of Classification of Investment Property
The Group classifies its land and improvements as investment property or owner-occupied property based on its current intentions where it will be used. When the land and improvements are held for capital appreciation or when management is still undecided as to its future use, it is classified as investment property. The land and improvements which are held for rent are classified as investment property.

Classification of Deferred Charges and Project Development Costs
Careful judgment of management is applied when deciding whether the recognition requirements for geothermal exploration and evaluation assets relating to the Group's geothermal project have been met. Capitalization of these costs is based, to a certain extent, on management's judgment of the degree to which the expenditure may be associated with finding specific geothermal reserve. This is necessary as the economic success of the exploration is uncertain and may be subject to future technical problems at the time of recognition. Judgments are based on the information available at end of each reporting period.

Estimates and Assumptions
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:

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 amounted to ₱2,460,790 and ₱3,644,289 as at December 31, 2015 and 2014, respectively (see Note 6).

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 quoted investment in shares of stock amounted to ₱4,090,435 as at December 31, 2015 and 2014 (see Note 8).

The carrying value of the Group's AFS financial assets amounted to ₱160,410,490 and ₱364,298,764 as at December 31, 2015 and 2014, respectively (see Note 8).

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 2015, 2014 and 2013 amounted to ₱3,575,378, ₱3,486,723 and ₱3,264,564, respectively (see Note 11).

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 at December 31, 2015 and 2014, 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 ₱22,033,509 and ₱25,145,742 as at December 31, 2015 and 2014, respectively (see Note 11).

Impairment and Write-off of Deferred Charges and Project Development Costs
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 and project development costs in 2015, 2014 and 2013.

The carrying amount of deferred charges, net of allowance for impairment loss amounting to amounted to ₱70,172,323 and ₱54,622,671 as at December 31, 2015 and 2014, respectively (see Note 10).

The carrying amount of project development costs amounted to ₱153,323,134 and ₱151,979,511 as at December 31, 2015 and 2014, respectively.

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. The Group's recognized deferred income tax assets amounted to ₱15,581,657 and ₱14,136,766, as at December 31, 2015 and 2014, respectively (see Note 20).

As at December 31, 2015 and 2014, the Group has deductible temporary differences on preoperating expenses and allowance for impairment losses and carryforward benefit of NOLCO, and excess MCIT over RCIT, amounting to ₱130,644,764 and ₱90,857,525, respectively, for which no deferred income tax asset was recognized because it is more likely than not that the deductible temporary difference and carryforward benefit will not be realized on or prior to its expiration (see Note 20).

Estimation of Retirement Benefits Costs
The cost of defined benefit pension plans as well as the present value of the pension obligation is 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 ₱13,694,736 and ₱11,913,169 as at December 31, 2015 and 2014, respectively (see Note 19).

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 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 investment properties amounting to ₱33,578, ₱2,824,044, and ₱2,155,000 in 2015, 2014 and 2013, 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 ₱203,424,809 and ₱203,458,387 as at December 31, 2015 and 2014, respectively (see Note 9).

Fair Value Measurement of Financial Instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4. Status of Investments and Management's Outlook

Sale of Basic Petroleum & Minerals, Inc. (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, 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. 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 SCs 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 FEP of the balance of the share of the Parent Company in the historical cost recoveries received by FEP 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, FEP will pay the Parent Company an aggregate amount of ₱186,567,854 (US$4,400,000) and the Parent Company agreed not to nominate a representative to the FEP Board. Prior to the finalization of settlement between the Parent Company and Forum, the latter already paid ₱38,367,996 to the Parent Company as part of the sale of BPMI. As at December 31, 2015, FEP had settled all its obligations to the Parent Company.

The total settlement amount due to the Parent Company of ₱224,955,850 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 at December 31, 2012, which amount was fully paid by FEP as at December 31, 2013.

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 Philippine National Oil Company 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.

PNOC-EC requested the DOE for approval of a 2-year work program for Sub-Phase 3, to include the drilling of one (1) exploratory well, however, there was no response received from the DOE. Eventually, PNOC-EC filed with the DOE the formal notice of the consortium to withdraw from this service contract dated July 28, 2015, which the DOE recently approved, effective January 10, 2012.

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 NPMCB. 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 (3) of the four (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 DOE 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.

On 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 two (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 (NCIP).

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. The project is presently suspended, pending resolution of the aforementioned case filed by Famatodi, Inc. and clearance by the NCIP. 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 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. As at December 4, 2014, Well BES-02 has completed wire logging. Production casings are presently being installed. After which, production testing will be conducted. Well BES-06 is in the first phase production testing. Well BES-03 has completed production testing. Data from the testing is presently being analyzed and will determine the optimum parameters to be used during regular production. Equipment for

Well BES-04 and BES-05 are now being procured for use in production testing and regular production.

Incidental production during the testing period amounted to 56,233 liters of oil, 45,410 liters of which have already been delivered to the local cooperatives as per contract terms.

In early 2015, Pertamina terminated the oil production agreements with the local miners' organizations in the Dandangilo and Wonocolo Kedewan, Bojonegoro Regency, East Java oil fields. In view thereof, PT BES suspended operations on the above-mentioned wells, pending issuance by Pertamina of the new guidelines for the oil production operations of old oil wells in the said oil fields, and pending final decision by Pertamina on the new organization of local miners who will supervise and manage oil production from the old oil wells in the said fields, with whom PT BES shall enter into co-operation agreements.
The Parent Company has budgeted for 2015 US$3.59 million 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 (RA) 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 five (5) years, and was extended up to 2015, subdivided in 3 Phases. In September of 2015, DOE confirmed a one (1) year extension for its exploration. 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 SC 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 (NCIP) 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 two (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 2016. Estimated cost for this work program is P167,000,000. On February 26, 2015, Trans-Asia Energy Corporation executed a Farm-in Agreement with the Parent Company acquiring a twenty-five percent (25%) participating interest in this project. As of December 31, 2015, 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 in February 2014, 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 five (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 P7,700,000.

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 megawatts. 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.

Hydropower Service Contracts (HSCs)
The Parent Company is likewise involved in the exploration, development and production of hydropower 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 RA 9513.

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 have 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.

In January 2016, the Parent Company returned the above service contracts to the DOE. The DOE has not yet approved the relinquishment of these service contracts.

The full recovery of the deferred charges, amounting to ₱70,172,323 and ₱54,622,671 as at December 31, 2015 and 2014, 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 10).

5. Cash and Cash Equivalents

	2015	2014
Cash on hand and in banks	**₱30,764,289**	₱47,143,661
Cash equivalents	**170,250,777**	–
	₱201,015,066	₱47,143,661

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 ₱1,664,082, ₱442,686 and ₱2,530,679 in 2015, 2014 and 2013, respectively (see Note 16).

The Group has United States dollar (US$) denominated cash on hand and in banks amounting to US$151,148 and US$7,695 as at December 31, 2015 and 2014, respectively. The Group has Indonesian Rupiah (IDR) denominated cash on hand and in banks amounting to 141,956,745 IDR and 2,178,896,351 IDR as at December 31, 2015 and 2014, respectively.

6. Receivables

	2015	2014
Accounts receivable	₱3,822,044	₱718,606
Dividends receivable	749,097	–
Interest receivable	386,981	1,160,796
Advances to officers and employees	200,320	123,427
Other receivables	35,295	4,190,677
	5,193,737	6,193,506
Less allowance for impairment losses	(2,732,947)	(2,549,217)
	₱2,460,790	₱3,644,289

Accounts receivable are short term, non-interest bearing due from third parties. Other receivables arise from short-term, noninterest-bearing transactions of the Group.
Dividends receivable arise from the Group's investments in equity securities.

Interests receivable arise from the Group's short-term cash equivalents and their investments in debt securities.

Advances to officers and employees pertains to the advances made by the Group to its officers and employees for the administration of its operations. These types of advances are settled through liquidation and reimbursement, respectively.

7. Prepayments and Other Current Assets

	2015	2014
Input VAT	₱3,393,495	₱1,693,083
Prepaid expenses	802,155	602,533
	₱4,195,650	₱2,295,616

Input VAT represents VAT paid on domestic purchases of goods and services which can be recovered as tax credit against future tax liability of the Group upon approval by the Philippine BIR.

Prepaid expenses mainly consists of prepayments of the Group on rent, membership dues, life and nonlife insurance, and communication expenses.

8. **AFS Financial Assets**

	2015	2014
Debt securities - quoted	₱66,112,613	₱268,205,803
Investments in quoted shares of stock	94,297,877	78,078,423
	₱160,410,490	₱346,284,226

Quoted instruments are carried at fair market value as at end of reporting period.

The movements in AFS financial assets account follow:

	2015	2014
Balances at January 1	₱364,298,764	₱453,477,550
Additions	73,647,126	–
Disposals	(246,884,655)	(91,986,030)
Valuation gains (losses) on AFS financial assets	(30,650,745)	2,813,837
Effect of changes in foreign exchange rate	–	(6,593)
Balances at December 31	₱160,410,490	₱364,298,764

Interest rates in 2015 and 2014 on these AFS debt securities range from 4.5% to 5.45% and 3.25% to 8.13%, respectively. Interest income earned on these securities amounted to ₱3,967,574, ₱16,485,231, and ₱15,969,439 in 2015, 2014 and 2013, respectively (see Note 16).

The movements in "Net unrealized gains on changes in fair value of AFS financial assets" presented as a separate component of equity follow:

	2015	2014
Beginning balances	₱36,178,097	₱33,364,260
Gains recognized in equity	14,351,518	14,644,235
Realized gain on sale of AFS financial assets	(45,002,263)	(11,830,398)
Unrealized gains (losses) in AFS financial assets taken in other comprehensive income	(30,650,745)	2,813,837
Ending balances	₱5,527,352	₱36,178,097

These are carried at cost less allowance for impairment losses. Equity securities of the Group have an allowance for impairment losses as at December 31, 2015 and 2014 amounting to ₱4,090,435.

Dividend income earned from quoted equity shares amounted to ₱5,985,400, ₱5,145,575 and ₱3,000,953 in 2015, 2014 and 2013, respectively.

9. Investment Properties

	2015	2014
Acquisition cost	**₱125,086,298**	₱125,086,298
Accumulated unrealized gain on investment properties:		
Beginning balances	**78,372,089**	75,548,045
Unrealized valuation gain (loss) on investment property	**(33,578)**	2,824,044
	78,338,511	78,372,089
Ending balances	**₱203,424,809**	₱203,458,387

The investment properties consist of two (2) parcels of land located in Bolinao, Pangasinan and San Fabian, Pangasinan. The Group has no definite plan as to the use of these properties purchased as at December 31, 2015 and 2014. In accordance with PAS 40, *Investment Property*, land held for a currently undetermined future use is classified as investment property. The Parent Company applies the fair value model in measuring the current value of the investment properties.

The Group engaged Vitale Valuation Services, Inc., an independent firm of appraisers, to determine the fair values of the property in Bolinao, Pangasinan and San Fabian, Pangasinan as at November 29, 2012 and November 6, 2012, respectively. The fair valuation was estimated through the direct market comparison approach; categorized as level 3 which is a comparative approach that considers the sales of similar or substitute assets and related market data. The investment property in Bolinao, Pangasinan has a price per square meter of ₱200. The investment property located in San Fabian, Pangasinan has two (2) sites: Site 1 and Site 2 with a price per square meter of ₱1,000 and ₱1,500, respectively.

The Group further engaged Vitale Valuation Services, Inc., an independent firm of appraisers, to determine the fair value of its land in Gutalac, Zamboanga, as at May 29, 2013. 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 assuming selling and development, and then discounting the net revenue at an interest rate of 12% resulting to a price per square meter of ₱20. The Company has determined that the highest and best use of the investment property is for agricultural utility. The date of the appraisal was June 10, 2013.

There have been no transfers among the levels during the period.

Direct operating expenses related to the investment properties include real property taxes paid in 2015 and 2014 amounting to ₱64,049 and ₱266,903, 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.

10. Deferred Exploration Costs

The movements in deferred exploration costs follow:

	2015	2014
Beginning balances	₱100,365,306	₱91,991,538
Additions	15,549,652	8,373,768
	115,914,958	100,365,306
Less allowance for impairment loss	45,742,635	45,742,635
Ending balances	₱70,172,323	₱54,622,671

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.

In 2014, the four (4) new GSCs started with its 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 HSCs include hydropower exploration, development, production and utilization, including the construction, installation, operation and maintenance of hydropower systems to convert hydropower to electrical power and the transmission of such electrical power and/or non-electrical uses. However, the Group returned these HSCs to the DOE.

The accumulated costs incurred in connection with the exploration contracts are shown under "Deferred exploration costs" 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.

The movements in deferred exploration costs pertaining to the Indonesia Oil Project follow:

	2015	2014
Beginning balances	₱151,979,511	₱39,286,178
Additions	1,343,623	112,693,332
Ending balances	₱153,323,134	₱151,979,511

11. Property and Equipment

At cost:

2015

	Office Equipment, Furniture and Fixtures	Building and Building Improvement	Transportation Equipment	Total
Cost:				
Beginning balances	₱9,433,336	₱4,975,501	₱6,122,324	₱20,531,161
Additions	259,878	307,837	–	567,715
Retirements	(108,080)	–	(1,081,084)	(1,189,164)
Ending balances	9,585,134	5,283,338	5,041,240	19,909,712
Accumulated Depreciation:				
Beginning balances	8,663,524	3,626,696	4,099,178	16,389,398
Depreciation (Note 18)	357,463	174,592	1,008,248	1,540,303
Retirements	(100,565)	–	(984,029)	(1,084,594)
Ending balances	8,920,422	3,801,288	4,123,397	16,845,107
Net book values	₱664,712	₱1,482,050	₱917,843	₱3,064,605

2014

	Office Equipment, Furniture and Fixtures	Building and Building Improvement	Transportation Equipment	Total
Cost:				
Beginning balances	₱8,660,690	₱4,975,501	₱6,122,324	₱19,758,515
Additions	772,646	–	–	772,646
Ending balances	9,433,336	4,975,501	6,122,324	20,531,161
Accumulated Depreciation:				
Beginning balances	8,074,318	3,454,671	3,057,020	14,586,009
Depreciation (Note 18)	589,206	172,025	1,042,158	1,803,389
Ending balances	8,663,524	3,626,696	4,099,178	16,389,398
Net book values	₱769,812	₱1,348,805	₱2,023,146	₱4,141,763

At revalued amounts:

	2015	2014
Revalued Amount	₱25,250,000	₱25,250,000
Accumulated Depreciation		
Beginning balances	4,246,021	2,562,687
Depreciation (Note 18)	2,035,075	1,683,334
Ending balances	6,281,096	4,246,021
Net Book Values	₱18,968,904	₱21,003,979

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 at 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 at appraisal date.

Revaluation increment in office condominium as at December 31, 2015 and 2014 amounted to ₱12,805,479 and ₱14,630,975, 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, 2015 and 2014 would be as follows:

	2015	2014
Cost	₱1,730,010	₱1,730,010
Accumulated depreciation	(922,672)	(807,338)
	₱807,338	₱922,672

The cost of the Group's fully depreciated assets still in use amounted to ₱12.66 million and ₱11.90 million as at December 31, 2015 and 2014, respectively.

12. Accounts Payable and Accrued Expenses

	2015	2014
Accounts payable	₱4,649,360	₱12,381,693
Other payables	133,189	938,757
	₱4,782,549	₱13,320,450

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. Other payables are liabilities to various government agencies generally payable within 30 days.

13. Equity

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

2015

	No. of Shares	Amount
Authorized - ₱0.25 par value	10,000,000,000	₱2,500,000,000
Unissued	(8,241,229,545)	(2,060,307,386)
Issued	1,758,770,455	439,692,614
Subscribed	2,686,223,057	671,555,764
Subscriptions receivable	(1,884,875,000)	(471,218,750)
	801,348,057	200,337,014
	2,560,118,512	₱640,029,628

2014

	No. of Shares	Amount
Authorized - ₱0.25 par value	10,000,000,000	₱2,500,000,000
Unissued	(8,241,229,545)	(2,060,463,636)
Issued	1,758,770,455	439,536,364
Subscribed	2,686,223,057	671,555,764
Subscriptions receivable	(1,884,875,000)	(471,218,750)
	801,348,057	200,337,014
	2,560,118,512	₱639,873,378

The movements on shares outstanding in 2015 and 2014 are as follows:

	2015	2014
Beginning balances	**2,559,493,512**	2,527,763,512
Additional subscription	**625,000**	31,730,000
Ending balances	**2,560,118,512**	2,559,493,512

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 ₱0.25 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 473,000,000 shares.

   As at December 31, 2015 and 2014, additional 31.73 million and 31.73million shares for listing, respectively have been paid and listed in the Philippine Stock Exchange.

Stock Options Plan (SOP)

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

The Basic terms and conditions of the SOP 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. Weighted average exercise price amounted to ₱0.25 per share. 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 at December 31, 2012. On July 24, 2013, the Philippine Stock Exchange approved for listing the remaining 473,000,000 shares. As at 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 2014 and 2013.

The stock price at exercise date is ₱0.25.

14. Treasury Stock

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

15. 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. In SRI, the Group owns 72.58%. This information is based on amounts before intercompany eliminations.

The summarized financial information of SRI, Grandway and PT BES provided below:

2015	SRI	Grandway	PT BES
Non-controlling interest	27.42%	30.00%	33.50%
Financial position:			
Current assets	₱7,397	₱396,207	₱1,102,878
Noncurrent assets	–	194,025,603	154,229,012
Current liabilities	(280,653)	(195,102,119)	(177,348,135)
Non-controlling interest	(₱74,927)	(₱204,093)	(₱7,375,442)
Financial performance:			
General and administrative expense	₱64,199	₱226,597	₱19,568,381
Other income	–	(10)	(23,419)
Group's share in net loss for the year	46,596	158,611	12,997,400
Non-controlling interest share in net loss for the year	17,603	67,976	6,547,562
Net loss	₱64,199	₱226,587	₱19,544,962

2015	**SRI**	**Grandway**	**PT BES**
Cash flow:			
Operating activities	**(₱74,199)**	**(₱272,107)**	**(₱11,083,479)**
Investing activities	**–**	**(20,797,361)**	**(2,105,413)**
Financing activities	**73,699**	**21,116,216**	**5,632,076**
Effect of foreign exchange rate changes in cash and cash equivalents	**–**	**(29,957)**	**249,259**
Net increase (decrease) in cash and cash equivalents	**(₱500)**	**₱16,791**	**(₱7,307,557)**

2014	SRI	Grandway	PT BES
Non-controlling interest	27.42%	30.00%	33.50%
Financial position:			
Current assets	₱7,897	₱377,660	₱8,658,016
Noncurrent assets	–	173,228,242	152,123,599
Current liabilities	(216,954)	(174,086,583)	(181,752,873)
Non-controlling interest	(₱57,323)	(₱144,204)	(₱7,025,371)
Financial performance:			
General and administrative expense	₱96,280	₱144,193	₱8,933,702
Other income	–	(44)	(29,611)
Provision for final tax	–	–	–
Group's share in net loss for the year	69,880	100,904	5,921,221
Non-controlling interest share in net loss for the year	26,400	43,245	2,982,870
Net loss	₱96,280	₱144,149	₱8,904,091
Cash flow:			
Operating activities	(₱77,883)	(₱131,807)	₱4,570,646
Investing activities	–	(121,680,467)	(112,693,332)
Financing activities	71,949	121,784,690	119,716,449
Net increase (decrease) in cash and cash equivalents	(₱5,934)	₱27,584	₱11,593,763

16. Interest Income

	2015	2014	2013
Interest income on:			
AFS financial assets - debt securities (Note 8)	**₱3,967,574**	₱16,485,231	₱15,969,439
Cash and cash equivalents (Note 5)	**1,664,082**	442,686	2,530,679
	₱5,631,656	₱16,927,917	₱18,500,118

17. Related Party Transactions

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.

Compensation of Key Management Personnel

a. Shares of stock of the Parent Company held by members of the BOD aggregated to 125,827,245 and 142,437,245 as at December 31, 2015 and 2014, respectively.

b. Compensation of key management personnel consists of short-term employee benefits and post-employment benefits. Short-term employee benefits amounted to ₱11.0 million, ₱10.9 million and ₱10.1 million in 2015, 2014 and 2013, respectively, while, post-employment benefits amounted to ₱11.6 million, ₱8.7 million and ₱4.3 million in 2015, 2014 and 2013, respectively.

   Directors' remuneration consists only of per diems for attendance at the BOD and Committee meetings. In 2015, 2014 and 2013, total per diems received by the members of the BOD amounted to ₱1.7 million, ₱2.1 million and ₱1.88 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:

2015

	Cost	Allowance for Impairment	Total	Advances	Allowance for Impairment	Total
BDIHI	₱227,085,800	₱227,085,800	₱–	₱21,730,470	₱21,439,342	₱291,128
SRI	75,341,250	75,341,250	–	245,653	–	245,653
BBC	64,000,000	64,000,000	–	5,881,017	5,584,083	296,934
iBasic	53,547,840	53,547,840	–	3,816,106	3,346,880	469,226
BGEC	20,000,000	–	20,000,000	–	–	–
BRI	56,975,000	20,000,000	36,975,000	1,144	–	1,144
Grandway	–	–	–	195,114,494	–	195,114,494
	₱496,949,890	₱439,974,890	₱56,975,000	₱226,788,884	₱30,370,305	₱196,418,579

2014

	Cost	Allowance for Impairment	Total	Advances	Allowance for Impairment	Total
BDIHI	₱227,085,800	₱227,085,800	₱–	₱21,618,280	₱21,439,342	₱178,938
SRI	75,341,250	75,341,250	–	171,954	–	171,954
BBC	64,000,000	64,000,000	–	5,814,716	5,584,083	230,633
iBasic	53,547,840	53,547,840	–	3,684,662	3,346,880	337,782
BGEC	20,000,000	–	20,000,000	200	–	200
BRI	56,975,000	20,000,000	36,975,000	–	–	–
Grandway	–	–	–	173,995,267	–	173,995,267
	₱496,949,890	₱439,974,890	₱56,975,000	₱205,285,079	₱30,370,305	₱174,914,774

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	2015	2014	2015	2014	Conditions
BRI					
Advances	₱1,144	₱–	₱1,144	₱–	(*a*), (*e*)
Collection of advances	–	–	–	–	
BDIHI					
Advances	112,190	69,560	21,730,470	21,618,280	(*a*), (*b*)
BBC					
Advances	66,301	76,346	5,881,017	5,814,716	(*a*), (*d*)
iBasic					
Advances	131,444	112,623	3,816,106	3,684,662	(*a*), (*c*)
BGEC					
Advances	–	200	–	200	(*a*)
Collection of advances	200	–			
SRI					
Advances	73,699	71,949	245,653	171,954	(*a*), (*f*)
Grandway					
Advances	21,119,227	121,622,902	195,114,494	173,995,267	
			226,788,884	205,285,079	
Less: allowance for impairment			30,370,305	30,370,305	
			₱196,418,579	₱174,914,774	

(*a*) *Noninterest bearing, unsecured advances, due and demandable; to be settled in cash.*
(*b*) *With allowance for impairment amounting to ₱21,439,342 as at December 31, 2015 and 2014.*
(*c*) *With allowance for impairment amounting to ₱3,346,880 as at December 31, 2015 and 2014.*
(*d*) *With allowance for impairment amounting to ₱5,584,083 as at December 31, 2015 and 2014.*
(*e*) *With 100% provision for impairment as at December 31, 2014.*
(*f*) *No provision for impairment as at December 31, 2015.*

Reversal of impairment loss on advances to related parties amounted to nil and ₱36.98 million in 2015 and 2014, respectively.

On June 25, 2014 and December 29, 2014, the BOD and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock and SEC, respectively, approved the conversion of advances to BRI amounting to ₱36.98 million to investment in subsidiary.

Allowance for impairment loss on investment in subsidiaries amounted to ₱439,974,890 as at December 31, 2015 and 2014. No provision for impairment loss was recognized in 2015 and 2014.

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 at December 31, 2015 and 2014 amounted to ₱12.48 million and ₱9.52 million, respectively (see Note 19).

c. The assets and investments of the retirement benefit fund as at December 31, 2015 and 2014 follows:

	2015	2014
Investments in bonds	**₱4,024,889**	₱4,109,609
Investment in unit investment trust fund	**3,083,081**	2,791,217
Special savings deposits	**4,060,561**	1,397,118
Investment in stocks	**1,258,300**	1,185,700
Others	**61,041**	43,369
Accrued payables	**(11,835)**	(8,137)
	₱12,476,037	₱9,518,876

d. In 2015 and 2014, the Parent Company contributed ₱3.0 million to the retirement benefit fund (see Note 19).

18. General and Administrative Expenses

	2015	2014	2013
Personnel:			
Salaries and wages	**₱20,492,201**	₱17,748,514	₱13,431,877
Retirement benefits cost	**5,418,425**	3,651,835	3,504,951
Other employee benefits	**4,169,418**	4,430,130	4,125,341
Transportation and travel	**3,872,858**	3,621,375	3,054,013
Representation and entertainment	**3,821,185**	3,303,483	2,709,818
Depreciation and amortization (Note 11)	**3,575,378**	3,486,723	3,264,564
Taxes and licenses	**1,357,065**	1,871,133	3,133,226
Professional fees	**1,074,091**	1,685,285	2,056,846
Utilities	**912,735**	919,389	826,642
Communication	**864,437**	977,944	802,892
Repairs and maintenance	**321,066**	171,771	226,605
Office supplies	**317,031**	492,586	342,334
Annual stockholders meeting	**596,891**	700,866	804,763
Association and membership dues	**227,316**	115,716	219,385
Outside services	**–**	2,906,578	9,517,304
Rent	**–**	815,928	510,960
Donation	**–**	–	300,000
Others	**1,460,466**	2,437,850	1,699,238
	₱48,480,563	₱49,337,106	₱50,530,759

19. 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.

Republic Act No. 7641 ("Retirement Pay Law") an act amending article 287 of Presidential Decree No. 442 ("Labor Code of the Philippines"), requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The 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:

2015	Defined Benefit Liability	Fair Value of Plan Assets	Net Defined Benefit Liability
At January 1	₱21,432,045	(₱9,518,876)	₱11,913,169
Interest cost (income)	5,115,263		5,115,263
Current service cost	741,982	(438,820)	303,162
	5,857,245	(438,820)	5,418,425
Actuarial (gain) loss:			
Change in financial assumptions	(1,238,454)	–	(1,238,454)
Experience adjustments	606,218	–	606,218
Change in demographic assumptions	(486,281)	–	(486,281)
Return on plan assets	–	481,659	481,659
	(1,118,517)	481,659	(636,858)
Contributions	–	(3,000,000)	(3,000,000)
At December 31	₱26,170,773	(₱12,476,037)	₱13,694,736

2014	Defined Benefit Liability	Fair Value of Plan Assets	Net Defined Benefit Liability
At January 1	₱13,886,400	(₱5,918,763)	₱7,967,637
Interest cost (income)	602,861	(326,716)	276,145
Current service cost	3,375,690	–	3,375,690
	3,978,551	(326,716)	3,651,835
Actuarial (gain) loss:			
Change in financial assumptions	₱2,103,673	₱–	₱2,103,673
Remeasurement gain	–	(273,397)	(273,397)
Experience adjustments	1,463,421	–	1,463,421
	3,567,094	(273,397)	3,293,697
Contributions	–	(3,000,000)	(3,000,000)
At December 31	₱21,432,045	(₱9,518,876)	₱11,913,169

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

	2015	2014
Money market investments	67%	85%
Cash in bank and other receivables	33%	15%
	100%	100%

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:

	2015	2014
Discount rate	4.61%	4.61%
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 all other assumptions were held constant:

2015	**Increase (Decrease)**	**Effect on Present Value of Defined Benefit Obligation**
Discount rate	**+1.00%**	**(₱23,752,434)**
	-1.00%	**29,117,529**
Future salary increase	**+1.00%**	**29,107,592**
	-1.00%	**23,709,245**

2014	Increase (Decrease)	Effect on Present Value of Defined Benefit Obligation
Discount rate	+1.00%	(₱2,277,258)
	-1.00%	2,812,345
Future salary increase	+1.00%	2,600,789
	-1.00%	(2,167,294)

The Group expects to contribute ₱5.26 million to the defined benefit pension plan in 2015.

20. Income Taxes

a. Being engaged in petroleum operations in the Philippines, the Parent Company and SRI 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. Current income tax in 2015, 2014 and 2013 pertains to MCIT. Provision for (benefit from) income tax consists of:

	2015	2014	2013
Current			
Final tax	**₱1,118,482**	₱3,332,074	₱3,679,802
Income tax	**986,241**	97,391	45,827
Deferred	**1,068,692**	(12,025,391)	3,429,822
	₱3,173,415	(₱8,595,926)	₱7,155,451

c. The components of net deferred income tax assets recognized by the Group as at December 31, 2015 and 2014 are as follows:

	2015	2014
Deferred income tax assets on:		
NOLCO	**₱10,389,557**	₱10,389,557
Accrued retirement benefits	**4,108,420**	3,573,950
MCIT	**1,007,813**	97,392
Other payables	**75,867**	75,867
	15,581,657	14,136,766
Deferred income tax liability on:		
Revaluation increment on office condominium	**5,954,477**	6,270,416
Unrealized foreign exchange gain	**4,040,613**	1,020,034
	9,995,090	7,290,450
Net deferred income tax assets	**₱5,586,567**	₱6,846,316

d. As at December 31, 2015 and 2014, the Group has temporary differences and carryforward benefit 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:

	2015	2014
NOLCO	**₱36,112,296**	₱75,979,995
Allowance for impairment on:		
Deferred exploration cost	**47,876,020**	47,876,020
Receivables	**2,732,947**	2,549,217
Excess of MCIT over RCIT	**45,827**	148,597

e. As at December 31, 2015, 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
2015	₱485,845	₱910,421	2018
2014	35,350,269	97,392	2017
2013	34,907,409	45,827	2016
	₱70,743,523	₱1,053,640	

Movements in NOLCO and excess MCIT follow:

NOLCO	2015	2014
Beginning balances	₱110,611,852	₱117,484,718
Additions	485,845	35,435,230
Applications	(6,600,713)	–
Expirations	(33,753,461)	(42,308,096)
Ending balances	₱70,743,523	₱110,611,852

MCIT	2015	2014
Beginning balances	₱245,989	₱313,574
Additions	910,421	97,392
Expirations	(102,770)	(164,977)
Ending balances	₱1,053,640	₱245,989

For income tax purposes, BGEC's and BBC's pre-operating expenses totaling ₱3,415,997 as at December 31, 2014 and 2013, respectively, will be amortized over five years from the start of commercial operations.

f. The reconciliation of the provision for (benefit from) income tax computed at the statutory tax rate to the provision for income tax as shown in the consolidated statement of income follows:

	2015	2014	2013
Provision for (benefit from) income tax computed at 30%	₱595,528	(₱4,568,251)	(₱5,997,064)
Adjustments for:			
Movement in temporary differences for which no deferred income tax assets were recognized	(12,062,890)	(9,894,875)	14,031,739
Expiration of NOLCO and MCIT	10,228,809	12,857,406	45,827
Non-taxable income	(1,795,620)	(2,390,886)	–
Nondeductible expenses	7,077,628	991,045	10,645
Interest income subject to final taxes	(563,985)	(1,746,301)	(935,696)

(Forward)

	2015	2014	2013
Fair value adjustment on investment properties	₱10,073	₱–	₱–
Gain on sale of AFS investments	–	(3,549,119)	–
Others	(316,128)	(294,945)	–
Provision for (benefit from) income tax	₱3,173,415	(₱8,595,926)	₱7,155,451

21. Basic/Diluted Earnings Per Share

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

	2015	2014	2013
Net income (loss) attributable to equity holders of the Parent Company (a)	₱5,444,815	(₱3,579,062)	(₱22,723,865)
Transaction cost on potential issuance of common shares	–	–	–
Net income attributable to holders of the Parent Company adjusted for the effect of dilution (b)	₱5,444,815	(₱3,579,062)	(₱22,723,865)
Weighted average number of shares for basic earnings per share (c)	2,560,118,512	2,559,493,512	2,527,763,512
Stock options (Note 18)	–	–	–
Weighted average number of shares adjusted for the effect of dilution (d)	2,560,118,512	2,559,493,512	2,527,763,512
Basic earnings (loss) per share (a/c)	₱0.002	(₱0.001)	(₱0.009)
Diluted earnings (loss) per share (b/d)	₱0.002	(₱0.001)	(₱0.009)

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.

22. 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, 2015 and 2014, 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:

2015

	Investment Holding	Energy, Oil and Gas Exploration	Eliminations	Total
Results:				
Income (loss) before income tax	₱21,249,466	(₱19,264,374)	₱–	₱1,985,092
Provision for income tax	(3,085,957)	(87,458)	–	(3,173,415)
Net income (loss)	₱18,163,509	(₱19,351,832)	₱–	(₱1,188,323)
Assets and Liabilities:				
Segment assets	₱893,928,884	₱177,137,685	(₱447,441,579)	₱623,624,990
Investment properties	199,062,809	4,362,000	–	203,424,809
Consolidated total assets	₱1,092,991,693	₱181,499,685	(₱447,441,579)	₱827,049,799
Consolidated total liabilities	₱237,505,725	₱183,691,770	(₱400,845,256)	₱20,352,239
Other Segment Information:				
Additions to:				
Property and equipment	₱567,713	₱–	₱–	₱567,713
Deferred charges	–	70,172,323	–	70,172,323
Project development costs	–	153,323,134	–	153,323,134
Depreciation	3,575,378	–	–	3,575,378

2014

	Investment Holding	Energy, Oil and Gas Exploration	Eliminations	Total
Results:				
Income (loss) before income tax	₱31,212,710	(₱9,465,213)	(₱36,975,000)	(₱15,227,503)
Benefit from (provision for) income tax	8,596,379	(453)	–	8,595,926
Net income (loss)	₱39,809,089	(₱9,465,666)	(₱36,975,000)	(₱6,631,577)
Assets and Liabilities:				
Segment assets	₱881,636,440	₱184,678,145	(₱406,580,413)	₱659,734,172
Investment properties	199,096,387	4,362,000	–	203,458,387
Consolidated total assets	₱1,080,732,827	₱189,040,145	(₱406,580,413)	₱863,192,559
Consolidated total liabilities	₱214,157,267	₱169,723,882	(₱357,661,425)	₱26,219,724
Other Segment Information:				
Additions to:				
Property and equipment	₱772,646	₱–	₱–	₱772,646
Deferred charges	–	54,622,671	–	54,622,671
Project development costs	–	151,979,511	–	151,979,511
Depreciation	3,428,519	58,204	–	3,486,723

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 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
Deferred charges	–	46,248,903	–	–	46,248,903
Project development costs	–	39,286,179	–	–	39,286,179
Depreciation	3,240,625	23,939	–	–	3,264,564

23. Fair Value Measurements

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.

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

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

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, 2015 and 2014, the following table presents the level of hierarchy of the Group's AFS debt and equity instruments:

	2015			2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Recurring fair value measurements:						
AFS Financial Assets						
Quoted debt securities	₱66,112,613	₱–	₱–	₱268,205,803	₱–	₱–
Quoted equity securities	94,297,877	–	–	96,092,961	–	–
	160,410,490	–	–	364,298,764	–	–
Investment properties	–	–	203,424,809	–	–	203,458,387
	₱160,410,490	₱–	₱203,424,809	₱364,298,764	₱–	₱203,458,387

Fair value of quoted debt and equity securities AFS financial assets is derived from quoted market prices in active markets.

Fair value of investment properties are derived using the direct market comparison approach (Note 9).

The discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

As at December 31, 2015 and 2014, 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.

24. Financial Risk Management Objectives and Policies

The Group's financial instruments consist of cash and cash equivalents, receivables, AFS financial assets, accounts payables, accrued expenses 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, 2015 and 2014. 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 Philippine Peso.

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

The Group's significant foreign currency-denominated financial assets as at December 31, 2015 and 2014 are as follows:

	2015		2014	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Assets:				
Cash and cash equivalents:				
US$	**151,148**	**₱7,113,025**	7,695	₱344,120
IDR	**141,956,745**	**482,653**	2,178,896,351	7,844,027
AFS financial assets:				
Quoted equity investments:				
US$	**–**	**–**	2,500	111,800
GBP	**–**	**–**	2,400	166,574
		₱7,595,678		₱8,466,521

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

	2015	2014
US$	47.06	44.720
IDR	0.0034	0.0036
GBP	–	69.406

The following table summarizes the impact on the consolidated financial statements of reasonably possible changes in the exchange rates of foreign currencies against the Philippine Peso as at December 31, 2014 and 2013 until the Group's next financial reporting date:

	Change in US$ rate	Increase (decrease) in income before income tax
2015	**+1.09%**	**₱1,648**
	-0.29%	**(438)**
2014	+ 0.7%	₱51,489
	- 0.7%	(51,489)

	Change in IDR rate	Increase (decrease) in income before income tax
2015	**+ 16%**	**₱22,713**
	- 16%	**(22,713)**

	Change in GBP rate	Increase (decrease) in income before income tax
2015	–	**₱–**
	–	–
2014	+ 5%	₱8,329
	- 5%	(8,329)

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, 2015 and 2014 until the Group's next financial reporting date:

	Change in Quoted Prices of Investments Carried at Fair Value	Increase (decrease) in equity
2015		
AFS financial assets	**+ 14.35%**	**₱22,988,635**
AFS financial assets	**- 14.35%**	**(22,988,635)**

	Change in Quoted Prices of Investments Carried at Fair Value	Increase (decrease) in equity
2014		
AFS financial assets	+ 11.9%	₱7,293,201
AFS financial assets	- 11.9%	(7,293,201)

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, 2015 and 2014. Therefore, the Group's maximum exposure to credit risk is equal to the carrying amount of its financial assets as at December 31, 2015 and 2014.

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:

	2015		
	Neither Past Due nor Impaired (Satisfactory)	**Past Due and Impaired**	**Total**
Loans and receivable:			
Cash and cash equivalents*	**₱200,986,879**	**₱–**	**₱200,986,879**
Receivables:			
Interest receivable	**386,981**	**–**	**386,981**
Other receivables	**35,295**	**–**	**35,295**
	201,409,155	**–**	**201,409,155**
AFS financial assets:			
Debt securities - quoted, at fair value	**66,112,613**	**–**	**66,112,613**
Quoted equity investments	**94,297,877**	**4,090,435**	**98,388,312**
	160,410,490	**4,090,435**	**164,500,925**
	₱361,819,645	**₱4,090,435**	**₱365,910,080**

**Excluding cash on hand.*

	2014		
	Neither Past Due nor Impaired (Satisfactory)	Past Due and Impaired	Total
Loans and receivable:			
Cash and cash equivalents*	₱47,136,418	₱–	₱47,136,418
Receivables:			
Interest receivable	1,160,796	–	1,160,796
Other receivables	1,641,460	2,549,217	4,190,677
	49,938,674	2,549,217	52,487,891
AFS financial assets:			
Debt securities - quoted, at fair value	268,205,803	–	268,205,803
Quoted equity investments	96,092,961	4,090,435	100,183,396
	364,298,764	4,090,435	368,389,199
	₱414,237,438	₱6,639,652	₱420,877,090

**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, 2015 and 2014, 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:

	2015			
	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	₱201,015,066	₱–	₱–	₱201,015,066
Receivables:				
Accrued interest receivable	386,981	–	–	386,981
Other receivables	35,295	–	–	35,295
	201,437,342	–	–	201,437,342
AFS financial assets - Quoted debt Securities	22,153,937	43,958,676	–	66,112,613
	223,591,279	43,958,676	–	267,549,955
Financial liabilities				
Loans and borrowings:				
Accounts payable and accrued expenses	4,782,549	–	–	4,782,549
Dividends payable	888,714	–	–	888,714
	5,671,263	–	–	5,671,263
Net liquidity position	₱217,920,016	₱43,958,676	₱–	₱261,878,692

	2014			
	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	₱47,143,661	₱–	₱–	₱47,143,661
Receivables:				
Accrued interest receivable	1,160,796	–	–	1,160,796
Other receivables	1,641,460	–	–	1,641,460
	49,945,917	–	–	49,945,917
AFS financial assets - Quoted debt Securities	55,291,146	212,914,657	–	268,205,803
	105,237,063	212,914,657	–	318,151,720
Financial liabilities				
Loans and borrowings:				
Accounts payable and accrued expenses	₱12,615,823	₱–	₱–	₱12,615,823
Dividends payable	888,714	–	–	888,714
	13,504,537	–	–	13,504,537
Net liquidity position	₱91,732,526	₱212,914,657	₱–	₱304,647,183

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, 2015 and 2014.

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 at December 31, 2015 and 2014, the Group is not subject to any externally imposed capital requirements.

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

	2015	2014
Capital stock	₱640,029,628	₱639,873,378
Additional paid-in capital	32,699,360	32,699,360
Retained earnings	138,443,999	131,173,688
	₱811,172,987	₱803,746,426