

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-Q

### QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended  
Mar 31, 2016
2. SEC Identification Number  
36345
3. BIR Tax Identification No.  
000-438-702-000
4. Exact name of issuer as specified in its charter  
BASIC ENERGY CORPORATION
5. Province, country or other jurisdiction of incorporation or organization  
Makati City
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
7/F Basic Petroleum Bldg., 104 Carlos Palanca St., Legaspi Village, Makati City  
Postal Code  
1229
8. Issuer's telephone number, including area code  
(+632) 8178596
9. Former name or former address, and former fiscal year, if changed since last report  
not applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding	
Common	2,560,118,512	

11. Are any or all of registrant's securities listed on a Stock Exchange?

☒ Yes      ☐ No

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

Philippine Stock Exchange

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder

or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

☒ Yes ☐ No

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

☐ Yes ☒ No

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*



## Basic Energy Corporation BSC

### PSE Disclosure Form 17-2 - Quarterly Report References: SRC Rule 17 and Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Mar 31, 2016
Currency (indicate units, if applicable)	PESO

#### Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Mar 31, 2016	Dec 31, 2015
Current Assets	195,533,637	207,671,506
Total Assets	817,889,082	827,238,785
Current Liabilities	7,401,201	6,657,503
Total Liabilities	22,595,937	20,352,239
Retained Earnings/(Deficit)	128,474,876	138,443,999
Stockholders' Equity	807,061,632	820,655,722
Stockholders' Equity - Parent	789,260,910	805,520,701
Book Value per Share	0.3	0.32

#### Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Operating Revenue	0	0	0	0
Other Revenue	4,759,529	48,038,057	4,759,529	48,038,057
Gross Revenue	4,759,529	48,038,057	4,759,529	48,038,057
Operating Expense	0	0	0	0
Other Expense	12,727,963	19,931,223	12,727,963	19,931,223

<b>Gross Expense</b>	12,727,963	19,931,223	12,727,963	19,931,223
<b>Net Income/(Loss) Before Tax</b>	-7,968,434	28,106,833	-7,968,434	28,106,833
<b>Income Tax Expense</b>	0	0	0	0
<b>Net Income/(Loss) After Tax</b>	-7,968,434	28,106,833	-7,968,434	28,106,833
<b>Net Income Attributable to Parent Equity Holder</b>	-9,969,123	31,306,769	-9,969,123	31,306,769
<b>Earnings/(Loss) Per Share (Basic)</b>	0	0.01	0	0.01
<b>Earnings/(Loss) Per Share (Diluted)</b>	0	0.01	0	0.01

#### Other Relevant Information

See attached SEC Form 17-Q as of March 31,2016

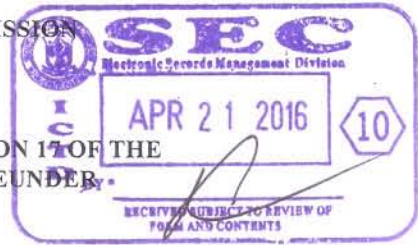
#### Filed on behalf by:

<b>Name</b>	Angel Gahol
<b>Designation</b>	AVP - Asst. Corp. Sec./ Compliance Officer

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE  
SRC AND SRC RULE 17(a)-17(b)(2) THEREUNDER



1. For the quarterly period ended March 31, 2016
2. Commission identification number 168063
3. BIR Tax Identification No. 000-438-702-000
4. Exact name of registrant as specified in its charter  
BASIC ENERGY CORPORATION
5. Province, country or other jurisdiction of incorporation or organization Philippines
6. Industry classification code .....
7. Address of registrant's principal office 7<sup>th</sup> Flr., Basic Petroleum Bldg., C. Palanca St.,  
Legaspi Village, Makati City, Philippines Postal Code 1229
8. Registrant's telephone number, including area code (632) 817-8596 to 98
9. Former name, former address and former fiscal year, if changed since last report  
\_\_\_\_\_
10. Securities registered pursuant to Sections 8 and 12 of the SRC

<u>Title of Each Class</u>	<u>Number of shares of common stock outstanding or amount of debt outstanding</u>
<u>Common Shares</u>	<u>2,560,118,512</u>
<u>Listed with PSE</u>	<u>2,560,118,512</u>

11. Are any or all of the securities listed on the Philippine Stock Exchange?

Yes ☒ No ☐

12. Indicate by check mark whether the registrant:

(a) Has filed all reports required to be filed by Section 17 of the SRC and SRC 17(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

Yes ☒ No ☐

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

Yes ☒ No ☐

**PART I--FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

"Attachment A"

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

"Attachment A"


**PART II--OTHER INFORMATION**


"Attachment A"

The registrant may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

**SIGNATURES**

Pursuant to the requirements of the SRC, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant   
**CORAZON M. BEJASA**  
Signature and Title VP & Corporate Secretary  
Date April 20, 2016

Principal Financial/  
Accounting Officer/Controller   
**MARIETTA V. VILLAFUERTE**  
Signature and Title VP & Treasurer  
Date April 20, 2016

**ATTACHMENT "A"**  
**FINANCIAL INFORMATION**  
**For the Period Ended March 31, 2016**

**1. The following unaudited Financial Statements are contained in this report:**

- 1.1 Statements of Income and Retained Earnings for the Period Ended March 31, 2016 and March 31, 2015;
- 1.2 Balance Sheets as of March 31, 2016 and December 31, 2015;
- 1.3 Statements of Cash Flows for the Period Ended March 31, 2016 and March 31, 2015;
- 1.4 Statements of Changes in Stockholders' Equity for the Period Ended March 31, 2016 and March 31, 2015.

**2. Discussion on Financial Condition for the Period December 31, 2015 and March 31, 2016.**

**A. Key Performance Indicators**

Management considers the following as key performance indicators of the company: Return on Investment (ROI), Profit Margin, Performance of Committed Work Programs, Current Ratio and Asset Turnover.

The following table shows the Top 5 performance indicators for the past three interim periods:

<b>KEY PERFORMANCE INDICATORS</b>	<b>1st Qtr 2016</b>	<b>1st Qtr 2015</b>	<b>1st Qtr 2014</b>
<b>Return on Investments (ROI)</b> (Net Income/Ave. Stockholders' Equity)	-0.98%	3.33%	-0.67%
<b>Profit Margin</b> (Net Income/Net Revenue)	-167.42%	58.51%	-94.43%
<b>Investment in Projects(Non-Petroleum)</b> as a % of Total Assets	24.87%	23.76%	23.72%
<b>Investment in Wells &amp; Other Facilities</b> as a % of Total Assets	28.06%	24.01%	10.71%
<b>Current Ratio</b> (Current Asset/Current Liabilities)	26.42:1	18.32:1	31.24:1
<b>Asset turnover</b> (Net revenue/Ave. Total Assets)	0.58%	5.59%	0.70%
<b>Solvency Ratios</b>			
Debt to Equity Ratio	2.80%	2.68%	2.00%
Asset to Equity Ratio	101.34%	101.45%	101.00%
Interest Rate Coverage Ratio	n/a	n/a	n/a

ROI (Net Income / Average Stockholders' Equity) measures the profitability of stockholders'



investment. Profit Margin (Net Income / Net Revenue) measures the net income produced by each peso of revenue. Investment in Projects as a % of Assets, measures how much the company invested in its committed work programs. Current Ratio (Current Assets / Current Liabilities) measures the short-term debt-paying ability of the company. Asset Turnover (Net Revenue / Average Total Assets) measures how efficiently assets are used to produce profit.

ROI was -0.98% for the 1<sup>st</sup> quarter of 2016, 3.33% for the 1<sup>st</sup> quarter of 2015 and -0.67% for the 1<sup>st</sup> quarter of 2014. The negative rates in 2014 and 2016 were due to the losses booked during those quarters while the positive rate in 2015 was because of the income generated during that quarter.

Profit Margin was -167.42% for the 1<sup>st</sup> quarter of 2016, 58.51% for the 1<sup>st</sup> quarter of 2015 and -94.43% for the 1<sup>st</sup> quarter of 2014. The negative rates in 2014 and 2016 were due to the losses booked during those quarters and the positive rate in 2015 was due to the income generated during that quarter as mentioned in the previous paragraph.

Investment in Projects (Non- Petroleum) as a % of Total Assets increased from 23.72% for the 1<sup>st</sup> quarter of 2014 to 23.76% for the 1<sup>st</sup> quarter of 2015 and to 24.87% for the 1<sup>st</sup> quarter of 2016. The increase from 2014 to 2015 was due to increases both in investments and total assets. The increase from 2015 to 2016 was due to the decrease in total assets base in relation to investments.

Investment in Wells & Other Facilities as a % of Total Assets increased from 10.71% for the 1<sup>st</sup> quarter of 2014 to 24.01% for the 1<sup>st</sup> quarter of 2015 and to 28.06% for the 1<sup>st</sup> quarter of 2016. The increases were primarily due to the increases in investments for all those years in relation to total assets.

Current Ratio was 26.42:1 for the 1<sup>st</sup> quarter of 2016, 18.32:1 for the 1<sup>st</sup> quarter of 2015, and 31.24:1 for the 1<sup>st</sup> quarter of 2014. The increase in current ratio from 2015 to 2016 was due to the decreases in both current assets and current liabilities while the decrease in current ratio from 2014 to 2015 was due to the increases in both current assets and current liabilities.

Asset Turnover was 0.58% for the 1<sup>st</sup> quarter of 2016, 5.59% for 1<sup>st</sup> quarter of 2015 and 0.70% for the 1<sup>st</sup> quarter of 2014. The decrease in asset turnover from 2015 to 2016 was due to decreases in both revenue and total assets, while the increase in asset turnover from 2014 to 2015 was due to increases in both revenue and total assets.

Debt to Equity Ratio was 2.80% for the 1<sup>st</sup> quarter of 2016, 2.68% for the 1<sup>st</sup> quarter of 2015 and 2.00% for the 1<sup>st</sup> quarter of 2014. The increase in ratio from 2015 to 2016 was due to decreases in both total liabilities and equity while the increase in ratio from 2014 to 2015 was due to increases both in total liabilities and equity.

Asset to Equity Ratio was 101.34% for the 1<sup>st</sup> quarter of 2016, 101.45% for the 1<sup>st</sup> quarter of 2015 and 101.00% for the 1<sup>st</sup> quarter of 2014. The decrease in ratio from 2015 to 2016 was due to decreases in both total assets and equity, while the increase in ratio from 2014 to 2015 was due to increases in both total assets and equity.

#### **B. Discussion and Analysis of Financial Condition as of March 31, 2016**

For the quarter ending March 31, 2016, the company booked total revenues of Php 4.759 million with total cost and expenses of Php 12.728 million resulting to a net loss of Php 7.969 million with minority interest recorded at Php 2.00 million for a net loss net of minority interests of Php 9.969 million.

Total revenue for the 1<sup>st</sup> quarter of 2016 of Php 4.759 million was from interests and dividends from placements and investments amounting to Php 2.266 million and unrealized foreign exchange gain of Php 2.493 million.

Total cost and expenses for the 1<sup>st</sup> quarter of 2016 amounting to Php 12.728 million was mostly from general and administrative expenses of Php 12.723 million.

Total Assets as of March 31, 2016 stood at Php 817.889 million decreasing by Php 9.350 million from Php 827.239 million as of December 31, 2015. Current assets, mostly in cash and cash equivalents decreased by Php 12.138 million, as these were used for operations and for the cash requirements of the existing projects of the company. Non-current assets, however, increased by Php 2.788 million, net of an increases in deferred charges of Php 5.976 million and other non-current assets of Php0.153 million and decreases in available for sale (AFS) financial assets of Php 2.535 million and property and equipment of Php0.806 million.

Total Liabilities increased by Php 2.244 million from Php 20.352 million as of December 31, 2015 to Php 22.596 million as of March 31, 2016 due to accruals for certain payables and expenses and accruals for retirement benefits.

Total Stockholders' Equity as of March 31, 2016 stood at Php 807.062 million decreasing by Php 13.594 million from Php 820.656 million as of December 31, 2015. This was due to the net loss booked for the 1<sup>st</sup> quarter of 2016 of Php 9.969 million, fair value adjustments on AFS financial assets of Php 2.544 million and cumulative translation adjustment of Php 1.081 million.

The interim financial report is in compliance with generally accepted accounting principles. The same accounting policies and methods of computation were followed in the interim financial statements, as compared with the most recent audited financial statements, which are as of December 31, 2015.

The interim operations are not characterized by any seasonality or cyclicity. The nature and amount of items affecting assets, liabilities, equity, net income and cash flows are explained in Attachment "A" on Financial Information for the period ending March 31, 2016.

There are no changes in estimates of amounts reported in prior interim periods of the current financial year or those reported in prior financial years.

On September 8, 2011, the SEC approved the Stock Option Plan of the Parent Company granting directors, members of the advisory board, officers and employees of the Parent Company options to purchase, at the par value of P0.25 per share, a total of 500,000,000 shares. Out of these shares, 26.7 million have been paid and listed in the Philippine Stock Exchange on January 21, 2013 which was classified as deposit for future stock subscription as of December 31, 2012. On July 24, 2013, the Philippine Stock Exchange approved for listing the remaining 473,300,000 shares. As of December 31, 2014 and 2013, additional 31.73 million and 58.57 million shares for listing, respectively, have been paid and listed in the Philippine Stock Exchange.

There were no dividends paid (aggregate or per share) separately for ordinary shares and other shares.

Currently, the company has a single business and geographical segment and therefore, segment disclosures have not been included.



There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

There are no changes in the composition of the company during the interim period, including business conditions, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing of operations.

Since December 31, 2015, there are no other changes in contingent liabilities or assets and no new material contingencies, events or transactions that have occurred during the current interim period.

There are no trends, demands, commitments, events or uncertainties, known to management that will have a material impact on the company's liquidity.

There are no material commitments for capital expenditures and no seasonal aspects that have a material effect on the financial conditions or results of operations.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

There are no events that will trigger direct or contingent financial obligations that are material to the company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations, (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

The causes for any material changes (5% of the relevant accounts or such lower amount, which the company deems material on the basis of other factors) from period to period which include vertical and horizontal analysis of any material item, have been presented in this report.

There were no sales of unregistered or exempt securities, nor were there any issuances of securities constituting an exempt transaction.

Finally, there are no other material information for disclosure during the current interim period, whether under this report or under SEC Form 17-C.

### **C. Disclosures per SEC Memorandum Circular No. 3, Series of 2011**

In compliance with SEC Memorandum Circular No. 3, Series of 2011: Guidelines on the Implementation of PFRS 9, we disclose that:

- (i) After consideration of the result of its impact evaluation using the outstanding balances of financial statements as of December 31, 2015, the Company has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2016 reporting;
- (ii) We will however, continue to evaluate the impact of the standard in our financial statements for the year 2016.

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
As of March 31, 2016 and December 31, 2015

	UNAUDITED March 31, 2016	AUDITED December 31, 2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P 187,438,459	P 201,015,066
Receivables-net	2,883,833	2,460,790
Other current assets	5,211,345	4,195,650
<b>Total Current Assets</b>	195,533,637	207,671,506
<b>Non Current Assets</b>		
Available-for-sale (AFS) financial assets	157,875,578	160,410,490
Investment properties	203,424,809	203,424,809
Property and equipment	21,227,178	22,033,509
Deferred charges	229,472,168	223,495,457
Deferred income tax asset	5,586,567	5,586,567
Other noncurrent assets	4,769,145	4,616,447
<b>Total Non Current Assets</b>	622,355,445	619,567,279
<b>TOTAL ASSETS</b>	P 817,889,082	P 827,238,785
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	P 5,526,067	P 4,782,549
Income tax payable	986,420	986,240
Dividends Payable	888,714	888,714
<b>Total Current Liabilities</b>	P 7,401,201	P 6,657,503
<b>Non Current Liabilities</b>		
Accrued retirement benefits payable	15,194,736	13,694,736.00
<b>Total Noncurrent Liabilities</b>	15,194,736	13,694,736
<b>TOTAL LIABILITIES</b>	P 22,595,937	P 20,352,239
<b>Minority Interest</b>	(11,768,487)	(13,769,176)
<b>Stockholders' Equity</b>		
Attributable to equity holders of the Company:		
Capital stock[held by 6,658 & 6,691 equity holders as of 2016 & 2015 respectively	640,029,628	640,029,628
Additional Paid-In Capital	32,699,360	32,699,360
Revaluation increment in office condominium	12,805,479	12,805,479
Fair value adjustments on financial assets	2,983,854	5,527,352
Remeasurement loss on acquired retirement benefits	(4,564,364)	(4,564,364)
Cumulative translation adjustment	(2,127,201)	(1,045,732)
Retained Earnings	128,474,876	138,443,999
<b>Total</b>	810,301,632	823,895,722
Treasury stock (at cost)	(3,240,000)	(3,240,000)
<b>Total Equity</b>	807,061,632	820,655,722
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	P 817,889,082	P 827,238,785

**BASIC ENERGY CORPORATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS**  
For the period ended March 31, 2016 and March 31, 2015

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	As of 31-Mar-16	As of 31-Mar-15
<b>REVENUES</b>		
<i>P</i>	<i>P</i>	
Interest, Dividends and Others	2,266,185	2,687,774
Gain on Sale of AFS		45,350,283
Realized Foreign Exchange Gain		-
Unrealized Forex Gain	2,493,344	-
	4,759,529	48,038,057
<b>COSTS AND EXPENSES</b>		
General and administrative expenses	12,722,997	12,661,976
Realized Foreign Exchange (Loss)	4,967	41,232
Unrealized Forex (Loss)		7,228,015
	12,727,963	19,931,223
<b>LOSS BEFORE INCOME TAX</b>	<b>(7,968,434)</b>	<b>28,106,833</b>
<b>PROVISION FOR INCOME TAX</b>		
Current	0	0
Deferred	0	0
<b>NET INCOME (LOSS)</b>	<b>(7,968,434)</b>	<b>28,106,833</b>
<b>MINORITY INTEREST</b>	<b>(2,000,689)</b>	<b>3,199,936</b>
	(9,969,123)	31,306,769
<b>RETAINED EARNINGS AT BEGINNING OF YEAR / QUARTER</b>	<b>138,443,999</b>	<b>131,173,688</b>
	-	
	-	0
<b>RETAINED EARNINGS (DEFICIT) AT END OF YEAR/ QUARTER</b>	<b>128,474,876</b>	<b>162,480,457</b>
<i>P</i>	<i>P</i>	
<b>Earnings (Loss) Per Share</b>	<b>(0.0039)</b>	<b>0.0122</b>
<i>P</i>	<i>P</i>	

Formula: Earnings (Loss) Per Share

= Net Income/ No. of shares for the quarter ended March 31, 2016  
2,560,118,512

= Net Income/ No. of shares for the quarter ended March 31, 2015  
2,559,493,512



**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Period Ended March 31, 2016 and March 31, 2015

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	1st quarter 2016	1st quarter 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (loss)	P (7,968,434)	P 28,106,833
Adjustment to reconcile net income to net cash provided by operating activities		
Interest income	2,266,185	2,687,774
Depreciation, depletion and amortization	822,449	799,434
Foreign Exchange Gain/Loss	(2,488,377)	7,269,248
Operating income (loss) before working capital changes	(7,368,177)	38,863,289
Changes in assets and liabilities		
Decrease (Increase) in asset/s		
Receivables	(423,043)	1,729,360
Prepayments and other current assets	(1,168,393)	(1,882,615)
Increase (Decrease) in liabilities		
Accounts payable & accrued expenses	743,697	(1,620,369)
Accrued retirement benefits payable	1,500,000	(1,950,000)
Cash generated from (used in) operations	(6,715,916)	35,139,666
Interest received	(2,266,185)	(2,687,774)
Taxes paid		-
Net cash flows from (used) in operating activities	P (8,982,101)	P 32,451,892
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions (Deductions) to:		
AFS Investment	2,534,912	P 185,411,870
Deferred charges	(5,976,711)	1,030,027
Property & equipment	(16,118)	(39,978)
Unrealized gain on fair value adjustments	(2,543,498)	(33,190,434)
Net cash from (used in) investing activities	P (6,001,415)	P 153,211,485
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net cash provided by financing activities	-	P -
EFFECT OF FOREIGN EXCHANGE RATE CHANGES IN CASH & CASH EQUIVALENT	2,488,377	(7,269,248)
CUMULATIVE TRANSLATION ADJUSTMENT	(1,081,469)	1,607,358
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	(13,576,607)	P 180,001,487
CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR/QUARTER	201,015,066	47,143,661
CASH AND CASH EQUIVALENT AT END	P 187,438,459	P 227,145,147



**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**For the Period Ended March 31, 2016 and March 31, 2015**

	Quarters Ended March 31	
	2016	2015
<b>CAPITAL STOCK</b> - P 0.25 par value Authorized - 10,000,000,000 shares		
Issued and Subscribed	2,560,118,512	2,559,493,512
Paid-up Capital Stock at beginning of year	P 640,029,628	639,873,378
Paid-up Capital Stock at end of period/quarter	P 640,029,628	639,873,378
<b>ADDITIONAL PAID-IN CAPITAL</b>		
Balance at beginning of year	32,699,360	32,699,360
Balance at end of period	P 32,699,360	32,699,360
REVALUATION INCREMENT IN OFFICE CONDOMINIUM	12,805,479	14,630,975
FAIR VALUE ADJUSTMENTS ON FINANCIAL ASSETS	2,983,854	2,954,085
REMEASUREMENT LOSS ON ACQUIRED RETIREMENT BENEFITS	-4,564,364	-5,010,165
CUMULATIVE TRANSLATION ADJUSTMENT	-2,127,201	-498,241
<b>RETAINED EARNINGS (DEFICIT)</b>		
Balance at beginning of the year	138,443,999	131,173,688
Net Income (Loss) for the period	(9,969,123)	31,306,769
Balance at end of period	P 128,474,876	162,480,457
<b>TOTAL</b>	P 810,301,632	847,129,849
Treasury Stock (at cost)	(3,240,000)	(3,240,000)
<b>TOTAL STOCKHOLDER'S EQUITY</b>	807,061,632	843,889,849

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**SCHEDULE OF ACCOUNTS RECEIVABLES**  
**As of March 31, 2016**

Receivable from Stockholders	P	1,718,887
Accrued Interest Receivable		565,879
Advances to Officers & Employees		323,309
Dividends Receivable		699,971
Others		2,308,733
Less: Allowance for uncollectible accounts		(2,732,947)
	P	<u>2,883,833</u>

Basic Energy Corporation & Subsidiaries Aging of Accounts Receivable As of March 31, 2016								
Type of Accounts Receivable	Total	1 Month	2-3 Mos.	4-6 Mos.	7 Mos. To 1 Year	1-2 Years	3-5 Years	5 Years - above
a) Trade Receivables								Past due accounts & items in litigation
1) Receivables from stockholders		-	-	-	-	-		
2) Accrued interest receivable	-	-	-	-	-	-		
3) Advances to officers/employees	-	-	-	-	-	-		
Subtotal	-	-	-	-	-	-		
Less: Allow. For Doubtful Acct.	-	-	-	-	-	-		
Net Trade receivable	-	-	-	-	-	-		
b) Non-Trade Receivables								
1) Receivables from stockholders	1,718,887							1,718,887
2) Accrued interest receivable	565,879	565,879						
3) Advances to officers/employees	323,309	323,309						
4) Dividends receivable	699,971	699,971						
5) Others	2,308,733	201,637	467,778	14,000	38,770	159,285	523,860	903,403
Subtotal	5,616,780	1,790,796	467,778	14,000	38,770	159,285	523,860	2,622,290
Less: Allow. For Doubtful Acct.	(2,732,947)						(157,079)	(2,575,868)
Net Non-trade receivable	2,883,833	1,790,796	467,778	14,000	38,770	159,285	366,781	46,422
Net Receivables (a + b)	2,883,833	1,790,796	467,778	14,000	38,770	159,285	366,781	46,422

Notes: If the Company's collection period does not match with the above schedule and revision is necessary to make the schedule not misleading, the proposed collection period in this schedule may be changed to appropriately reflect the Company's actual collection period.

Type of Receivable	Nature / Description	Collection period
1)		
2)		
3)		
Notes: Indicate a brief description of the nature and collection period of each receivable accounts with major balances or separate receivable captions, both for trade and non-trade accounts.		

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**SCHEDULE OF ACCOUNTS PAYABLE AND ACCRUED EXPENSES**  
**As of March 31, 2016**

Accrued Expense Payables	P	4,402,594
SSS/Philhealth/HDMF/BIR Payables		691,124
Others		<u>432,350</u>
<b>Total</b>	<b>P</b>	<b><u><u>5,526,067</u></u></b>

## ADDITIONAL DISCLOSURES

### Part I – Financial Information

#### Philippine Financial Reporting Standards. Notes to Interim Financial Statements: (SEC Memorandum Circular No. 6, Series of 2013)

#### 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.

#### *"Day 1" Difference*

Where the transaction price in a non-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.

#### *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.

#### *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.

#### 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.

#### Capital Stock and Additional Paid-in Capital

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

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

#### Deposit for Future Stock Subscription

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

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

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

#### Retained Earnings

The amount included in retained earnings includes profit (loss) attributable to the Parent Company's stockholders and reduced by dividends. Dividends are recognized as a liability

and deducted from equity when they are approved by the Parent Company's BOD. Dividends for the period that are approved after the end of the financial reporting date are dealt with as an event after the financial reporting period. Retained earnings may also include the effect of changes in accounting policy as may be required by the accounting standard's transitional provisions.

#### Other Comprehensive 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.

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### **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.

#### *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.

#### *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.

#### *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.

#### *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.

#### *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.

#### *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.

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.

#### *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.

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### **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	P66,112,613	P-	P-	P268,205,803	P-	P-
Quoted equity securities	94,297,877	-	-	96,092,961	-	-
	160,410,490	-	-	364,298,764	-	-
Investment properties	-	-	203,424,809	-	-	203,458,387
	P160,410,490	P-	P203,424,809	P364,298,764	P-	P203,458,387

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.

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.

#### **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
	2015		2014	

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

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.

#### *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 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.

### 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.