CR03034-2016

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   - (●) Preliminary Information Statement
   - ( ) Definitive Information Statement
2. Name of Registrant as specified in its charter
   BASIC ENERGY CORPORATION
3. Province, country or other jurisdiction of incorporation or organization
   MAKATI CITY
4. SEC Identification Number
   36345
5. BIR Tax Identification Code
   000-438-702-000
6. Address of principal office
   7/F Basic Petroleum Bldg., 104 Carlos Palanca St., Legaspi Village, Makati City
   Postal Code
   1229
7. Registrant's telephone number, including area code
   (+632) 8178596
8. Date, time and place of the meeting of security holders
   June 29, 2016, 3:00 P.M. Manila Golf and Country Club, Harvard Road, Forbes Park, Makati City
9. Approximate date on which the Information Statement is first to be sent or given to security holders
   Jun 8, 2016
10. In case of Proxy Solicitations:

    Name of Person Filing the Statement/Solicitor
    Atty. Corazon M. Bejasa
    Address and Telephone No.
    7/F Basic Petroleum Bldg, 104 Carlos Palanca St. Makati City, (+632) 817-8596

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

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

13. 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

BASIC ENERGY
CORPORATION

Basic Energy Corporation
BSC

PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting
References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules

Date of Stockholders' Meeting	Jun 29, 2016
Type (Annual or Special)	Annual
Time	3:00 P.M.
Venue	Manila Golf and Country Club, Harvard Road, Forbes Park, Makati City
Record Date	Jun 8, 2016

Inclusive Dates of Closing of Stock Transfer Books

Start Date	Jun 8, 2016
End date	Jun 29, 2016

Other Relevant Information
See attached SEC Form 20-IS Preliminary Proxy Statement

Filed on behalf by:

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   X Preliminary Proxy Statement

   __ Definitive Proxy Statement

   __ Additional Materials

2. Name of Registrant as specified in its charter BASIC ENERGY CORPORATION

3. Incorporated in the Philippines
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number 36359

5. BIR Tax Identification Code 000-438-702

6. 7/F Basic Petroleum Bldg., C. Palanca St., Legaspi Vill., Makati City 1229

   Address of principal office Postal Code

7. Registrant's telephone number, including area code +63(2)817-8596 & 98

8. June 29, 2016 at 3:00 P.M. at the Manila Golf and Country Club, Harvard Road, Forbes Park, Makati City

   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to the security holders. June 8, 2016

10. Name of Persons other than the Registrant Filing Proxy Statement

    NONE

    Address ____________

    Phone Number ____________

11. Securities registered pursuant to Sections 8 and 12 of the Code (information on number of shares and amount of debt is applicable only to corporate registrants):

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

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

    Yes ✓ No ____

    If so, disclose name of the Exchange: Philippine Stock Exchange

PART I

A. GENERAL INFORMATION

ITEM I. DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

The 2016 Annual Meeting of Stockholders of BASIC ENERGY CORPORATION (the Corporation) will be held on Wednesday, June 29, 2016, at 3:00 P.M. at the Manila Golf and Country Club, Harvard Road, Forbes Park, Makati City

The complete mailing address of the principal office of the Corporation is:
7th Floor, Basic Petroleum Bldg.
104 C. Palanca Jr. St., Legaspi Village
Makati City

RECORD DATE

The record date for the purpose of determining stockholders entitled to notice of, and to vote at, the Annual Stockholders Meeting is June 8, 2016.

APPROXIMATE DATE OF RELEASE OF PROXY STATEMENT AND PROXY FORM

Date: June 8, 2016

ITEM II – DISSENTERS' RIGHT OF APPRAISAL

The appraisal right may be exercised by any stockholder who shall have voted against (1) an amendment to the Articles of Incorporation that changes or restricts the rights of any stockholder or class of shares, or authorizes preferences in any respect superior to the outstanding shares of any class, or extends or shortens the corporate existence; (2) a sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; or (3) a merger and consolidation; by making a written demand on the Corporation for payment of the fair value of his share(s). The written demand, together with the share certificate/s of the withdrawing stockholder, must be received by the Corporation within thirty (30) calendar days from the date on which the vote was taken. Failure to make the written demand or to surrender the share certificate/s within such period shall be deemed a waiver of the appraisal right.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Corporation within thirty (30) days after such award is made. No payment shall be made to any withdrawing stockholder unless the Corporation has unrestricted retained earnings in its books to cover such payment. Upon payment by the Corporation of the agreed or awarded price, the stockholders shall forthwith transfer his shares to the Corporation.

The appraisal right is also available to a dissenting stockholder in case the Corporation decides to invest its funds in another corporation or business or for any purpose other than the primary purpose as provided in Title IV, Section 42 of the Corporation Code. In addition, the Corporation shall take up and seek approval by stockholders of the denial of pre-emptive rights of stockholders to issuances from the un-issued authorized capital stock of the Corporation. This matter may give rise to the exercise of any dissenter's appraisal right.

ITEM III - INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No director or officer of the Corporation or nominee for election as director, or officer of the Corporation, or past director or officer of the Corporation at anytime since the beginning of the last fiscal year, and to the best knowledge of the Corporation, no associate of a director or officer or nominee for election as director or officer of the Corporation has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the Annual Meeting of Stockholders, other than the election to office as directors of the incumbent directors.

The Corporation has not received any information from a director of the Corporation, either verbally or in writing of his/her intention to oppose any action to be taken by the Corporation at the annual stockholders meeting.

B. CONTROL AND COMPENSATION INFORMATION

ITEM IV - VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

a) **Number of common shares** – 2,560,118,512 shares (inclusive of subscribed and unpaid shares), as of March 31, 2016. Each share is entitled to one vote, subject to cumulative voting, as explained below. There are no restrictions that limit the payment of dividends on common shares.

b) **Record Date** – June 8, 2016.

c) **Voting Rights** - At the annual meeting of stockholders, every stockholder entitled to vote shall be entitled to one vote for each share of stock registered in his name in the books of the Corporation. However, in the election of directors, every stockholder entitled to vote shall be entitled to cumulate his vote in accordance with the provisions of law in such case made and provided. Hence, a holder of shares of common stock may vote such number of shares recorded in his name in the books of the Corporation as of Record Date, for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute such shares of stock on the same principle among as many candidates as he shall see fit.

d) **Security Ownership of Certain Record and Beneficial Owners and Management**

(1) **Security Ownership of Certain Record and Beneficial Owners**

The entity known to the Registrant to be directly or indirectly the record or beneficial owner of more than 5% of the Corporation's outstanding common shares as of March 31, 2016 is:

(1) Title of Class	(2)Name & Address of Record Owner & Relationship with Issuer	(3) Name of Beneficial Ownership and Relationship with Record Owner	(4)Citizenship of Record Owner	(5) No. of Shares Held & Nature of Ownership (Record/Beneficial)	(6) Percentage
Common Shares	Philippine Depository and Trust Corporation* 37/F Tower I Enterprise Center Ayala Avenue, Makati City (No relationship with the Corporation)	Various Participants of PCD	Filipino	2,112,697,140 (Record)	82.52%

*Philippine Depository and Trust Corporation (PDTC") is a wholly-owned subsidiary of the Philippine Central Depository, Inc. ("PCD"), which acts as trustee-nominee for all shares lodged in the PCD system. It was formerly known as the PCD Nominee Corporation. The beneficial owner of such shares are PCD's participants who hold the shares on their behalf or on behalf of their clients.

PCD is a private corporation organized to implement an automated book entry system of handling securities transactions in the Philippines. Under the PCD procedures, when an issuer of a PCD-eligible issue will hold a stockholders' meeting, the PCD shall execute a pro-forma proxy in favor of its participants for the total number of shares in their respective principal security account as well as for the total number of shares in their client securities account. For the shares held in the principal securities account, the participant concerned is appointed as proxy with full voting rights and powers as registered owner of such shares. For the shares held in the client securities account, the participant concerned is appointed as proxy, with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by such clients.

Five (5) PDTC participants hold more than five percent (5%) of the Corporation's total outstanding and issued common shares of stock, namely: Accord Capital Equities Corporation, (240,656,340 shares) COL Financial Group, Inc., (231,666,346 shares), King's Power Securities, Inc. (200,144,236 shares), Unicapital Securities, Inc. (147,422,890 shares) and Yu & Company, Inc. (135,737,320 shares),). None of the clients of said participants were reported to own more than 5% of the Corporation's total outstanding and issued common shares.

As of March 31, 2016, out of the 2,560,118,512 issued and outstanding shares of the Corporation, 2,263,625,695 shares or 88.4%% are held by the public, while 2,451,784,943 shares equivalent to 95.77% are held by Filipino citizens and 108,33,569 shares equivalent to 4.23% are held by foreigners.

(2) **Security Ownership of Directors and Key Officers**

The following are the number of common shares known to the Corporation to be owned beneficially and/or of record by the incumbent directors and key officers of the Corporation, and the percentage of shareholdings of each, as of March 31, 2016:

DIRECTORS

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership & Relationship w/ Beneficial Owner	Citizenship	Percentage
Common	Oscar C. De Venecia	0 (direct) 13,000,000 (indirect)	Filipino	0.51%
Common	Francis C. Chua	10,000 (direct) 13,000,000 (indirect)	Filipino	0.51%
Common	Ramon L. Mapa	368,635 (direct) 3,000,000 (indirect)	Filipino	0.13%
Common	Oscar L. De Venecia, Jr.	516,334 (direct) 9,025,000(indirect)	Filipino	0.37%
Common	Reynaldo T. Casas	10,000 (direct)	Filipino	.0%
Common	Harvey L. N. Dychiao	10,000 (direct)	Filipino	.0%
Common	Ma. Florina M. Chan	10,000 (direct) 13,000,000 (indirect)	Filipino	0.51%

		13,000,000 (indirect)		
Common	Eduardo V. Manalac	10,000 (direct) 8,000,000 (indirect)	Filipino	0.31%
Common	Jaime J. Martirez	10,000 (direct) 15,025,000 (indirect)	Filipino	0.58%
Common	Isidoro O. Tan	24,822,276 (direct) 13,000,000 (indirect)	Filipino	1.47%
Common	Oscar S. Reyes	10,000 (direct) 13,000,000 (indirect)	Filipino	0.51%
Common		10,000 (direct) 1,000,000 (indirect)	Filipino	0.40%
	TOTAL	**120,827,245**		**4.72%**

EXECUTIVE OFFICERS

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership & Relationship w/ Beneficial Owner	Citizenship	Percentage
Common	Alberto P. Morillo	303,185 (direct) 1,350,936 (indirect)	Filipino	0.07%
Common	Corazon M. Bejasa	100,000 (indirect)	Filipino	-
Common	Marietta V. Villafuerte	100,000 (indirect)	Filipino	-
Common	Angel P. Gahol	1,476 (direct)	Filipino	-
	TOTAL	**1,854,121**		**0.07%**

DIRECTORS AND OFFICERS AS A GROUP

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership & Relationship w/ Beneficial Owner	Citizenship	Percentage
Common	Directors as a Group	25,767,245(direct) 95,060,000(indirect)	Filipino	1.01% 3.71%
	Executive Officers as a Group	304,661(direct) 1,550,936 (indirect)	Filipino	0.01% 0.06%
	TOTAL	**122,682,842**	.	**4.79%**

Voting Trust Holders of 5% or more

None of the directors and officers owns 5% or more of the outstanding capital stock of the Corporation. The Corporation is not also aware of any person holding 5% or more of the Corporation's outstanding shares under a voting trust agreement or similar agreement.

Changes in Control

Management is not aware of any existing arrangement which may result in a change in control of the Corporation by stockholders.

ITEM V - DIRECTORS AND EXECUTIVE OFFICERS

The following are the incumbent directors of the Corporation:

Name	Period of Service
Oscar C. De Venecia	1988 to July 12, 2007; February 12, 2009 up to the present
Francis C. Chua	1998 up to the present
Ramon L. Mapa	1976 up to the present
Oscar L. de Venecia, Jr.	1999-2006; March 30, 2007 up to the present
Ma. Florina M. Chan	April 3, 2008 up to the present
Reynaldo T. Casas	June 30, 2015 up to the present
Harvey Lawrence N. Dychiao	July 29, 2015 up to the present
Eduardo V. Manalac	September 30, 2009 up to the present
Jaime J. Martirez	October 10, 2007 up to the present
Isidoro O. Tan	1993 up to the present
Oscar S. Reyes	April 04, 2007 up to the present

Each director of the Corporation holds office for a one (1) year term beginning on the date of his election and expiring at the annual meeting of stockholders next after his election and until his successor shall have been elected and qualified.

NOMINATION OF DIRECTORS AND INDEPENDENT DIRECTORS

The Board of Directors of the Corporation, upon endorsement of the Nominating Committee composed of Mr. Oscar C. De Venecia, as Chairman, with Mr. Oscar S. Reyes, Mr. Ramon L. Mapa, Mr. Oscar L. De Venecia, Jr., Mr. Reynaldo T. Casas and Mr. Harvey L.N. Dychiao, as members, has approved the nomination of all incumbent directors for re-election at the annual meeting of stockholders. The Nominating Committee has determined that all the nominees possess all the qualifications and have none of the disqualifications for directorship as prescribed in the Corporation's By-Laws and the Manual of Corporate Governance. For the purpose of electing the independent directors, the Nominating Committee adopted the independence criteria set out in the Corporation's Manual of Corporate Governance and under SRC Rule No. 38 and are consistent with SEC Memorandum Circular No. 16, Series of 2002. The three (3) independent directors-nominees, namely: Messrs. Harvey L.N. Dychiao, Eduardo V. Manalac and Oscar S. Reyes, are not officers or employees of the Corporation nor any of its subsidiaries, and are free from any business or other relationship with the Corporation which could or could reasonably be perceived to materially interfere with the exercise of their independent judgment in carrying out their responsibilities as independent directors.

The following are nominated as members of the Board of Directors for the term 2016-2017:

Oscar C. De Venecia
Ramon L. Mapa
Ma. Florina M. Chan
Jaime J. Martirez
Francis C. Chua
Oscar L. de Venecia, Jr.
Reynaldo T. Casas
Isidoro O. Tan

As Independent Directors:
Harvey L. N. Dychiao
Eduardo V. Manalac
Oscar S. Reyes

The following nominees for election as independent directors of the Board of Directors were nominated, as follows:

Nominee	Nominating Party	Relationship
Harvey L.N. Dychiao	Oscar C. De Venecia	none
Eduardo V. Manalac	Oscar C. De Venecia	none
Oscar S. Reyes	Oscar C. De Venecia	none

None of the above directors declined to stand for re-election to the Board of Directors because of any disagreement with the Corporation or any matter relating to the Corporation's operations, policies or practices.

Board Committees

The present members of the Audit and Risk Committee, which reviews the audit plans, report and findings of the internal and external auditors of the Corporation, and evaluates the risks involved in the various investments and projects of the Corporation, are:

Oscar S. Reyes (Independent Director)	-	Chairman
Eduardo V. Manalac (Independent Director)	-	Member
Ma. Florina M. Chan	-	Member
Jaime J. Martirez	-	Member
Harvey L.N. Dychiao	-	Member

The present members of the Nominating Committee, which reviews the qualifications of nominees to the Board of Directors and the key officers of the Corporation, are:

Oscar C. De Venecia	-	Chairman
Oscar S. Reyes (Independent Director)	-	Vice Chairman
Oscar L. De Venecia, Jr.	-	Member
Ramon L. Mapa	-	Member
Reynaldo T. Casas	-	Member
Harvey L.N. Dychiao	-	Member

The present members of the Compensation and Remuneration Committee, which reviews the Corporation's compensation and remuneration structure for directors and officers of the Corporation, are:

Oscar L. De Venecia , Jr.	-	Chairman
Francis C. Chua	-	Member
Reynaldo T. Casas	-	Member
Jaime J. Martirez	-	Member
Isidoro O. Tan	-	Member

The present members of the Finance and Investments Committee, which reviews the financial reports of the Corporation and all project and investment proposals, are:

Jaime J. Martirez	-	Chairman
Ramon L. Mapa	-	Vice Chairman
Oscar L. De Venecia, Jr.	-	Member
Reynaldo T. Casas	-	Member
Ma. Florina M. Chan	-	Member
Harvey L. N. Dychiao	-	Member
Eduardo V.Manalac (Independent Director)	-	Member
Isidoro O. Tan	-	Member

The present members of the Corporate Governance Committee, which is responsible for maintaining and ensuring good governance of the Corporation, are:

Eduardo V. Manalac (Independent Director)	-	Chairman
Francis C. Chua	-	Vice-Chairman
Reynaldo T. Casas	-	Member
Ma. Florina M. Chan	-	Member
Jaime J. Martirez	-	Member

The following are the incumbent officers of the Corporation:

Oscar C. De Venecia	Chairman
Oscar L. De Venecia, Jr.	President & CEO
Anthony L. Cuaycong	SVP & General Manager
Marietta V. Villafuerte	VP & Treasurer
Corazon M. Bejasa	VP & Corporate Secretary
Alberto P. Morillo	VP- Operations
Angel P. Gahol	AVP-Compliance Officer
Peter James D. Leano V	Drilling & Logistics Manager- Operations
Margaret Louise L. Honrado	Technical Manager- Operations

BACKGROUND INFORMATION

The following are the names, ages, positions and period of service in the Corporation of the nominees for election as directors for the term 2016-2017, and key officers of the Corporation, and their business experiences for the last five years:

DIRECTORS

OSCAR C. DE VENECIA, 83 years old, Filipino, is the Chairman of the Board. Prior thereto, he held several positions in the Corporation: as the Executive Vice President of the Corporation and director in 1972; became President and CEO in 1980; and was elected as Chairman of the Board & CEO from 1988 to July 12, 2007. He served as Chairman of the Advisory Board from July 12, 2007 to February 11, 2009 before assuming the position of Chairman of the Board on February 12, 2009. He is also the Chairman of the subsidiaries of the Corporation, namely: Basic Geothermal Energy Corporation, iBasic, Inc., Basic Diversified Holdings, Inc., Southwest Resources, Inc., Basic Ecomarket Farms, Inc., Basic Biofuels Corporation, and Pan-Phil Aqua Culture Corporation.

He is the Co-Chairman for International and Trade Affairs of the Philippine Chamber of Commerce and Industry; a member of the Advisory Board of the Philippines Trade Foundation, Inc. He was a director of the Manila Economic & Cultural Office (MECO), an Independent Director of the Export & Industry Bank and he was a director of the Pangasinan Economic Development Foundation, Inc. He is Past Chairman and President, now Senior Adviser, of the Petroleum Association of the Philippines.

He is the Honorary Consul General of Ukraine in the Philippines and Past Dean of the Consular Corps of the Philippines. He is an Honorary Rear Admiral of the Philippine Coast Guard Auxiliary and a former Trustee of the Free Rural Eye Clinic Foundation, Inc. in San Fabian, Pangasinan. He is a Past President of the National Association of Mapua Alumni and a life member of the Management Association of the Philippines.

He is a Past President of the Rotary Club of Makati West and Past District Governor of Rotary International, District 3830; Past Chairman of the Rotary Golfing Fellowship Foundation of the Philippines, Inc.; and Past Chairman, Philippine College of Rotary Governors, Inc. (1997-1998). He has received numerous awards and recognitions: Awarded Plaque of Appreciation by the Rotary Foundation as Chairman of the National PolioPlus Immunization Committee (1992-2003) when the Philippines was certified Polio Free by the WHO on October 19, 2002; Multiple Paul Harris Fellow; Major Gift Donor; Volunteer and Benefactor of R.I.; Awardee, "Special Rotary International Presidential World Understanding and Peace Award" given by R.I. President Stan McCaffrey as President of the Rotary Club of Makati West during the 1982 R.I. Convention in Dallas, Texas, U.S.A.; Awardee, "Citation for Meritorious Service" and "Distinguished Service Award" from The Rotary International Foundation; Awardee, "President's Golden Century Citation" from R.I. President Herbert G. Brown; Awardee, "Regional Service Award for a Polio-Free World" from The Rotary International Foundation; Awardee, "Service Above Self Award", Rotary International. He was the Representative of District 3830 to the 2004 Rotary International Council on Legislation, Chicago, Illinois. He represented the President of Rotary International in various Rotary district conferences in the Philippines, Australia, India, Korea and Japan. He was an Awardee of the "Chevalier Dans L'Ordre National Du Merite" from the French Government on February 10, 2004.

FRANCIS C. CHUA, 66 years old, Filipino, is a director of the Corporation since 1998, a Vice Chairman of the Board of the Directors and Director of the various subsidiaries of the Corporation since November, 2007. He was the Special Envoy on Trade and Investments of the Department of Foreign Affairs from June, 2007 to May 2010. He is the Honorary Trade and Investment Representative of the Department of Trade and Industry since 2002. He is also the Honorary Consulate General of the Republic of Peru in Manila, since 2006. He was a Special Adviser on Economic Affairs, Office of the Speaker of the House of Representatives, Congress of the Philippines in 1997 and member of the Board of Trustees of the Technical Education and Skills Development Authority from 2006 to 2009. He was the Chairman and President of BA Securities; President of the Philippine Satellite Corporation, and Vice-Chairman/Treasurer of Mabuhay Satellite Corporation. He is a member of the Board of Governors of the Philippine Stock Exchange. He is a director of Bank of Commerce since 2008 and a director of NGCP since 2009. For his civic affiliations, among others, he is the Honorary President of the Federation of Filipino Chinese Chambers of Commerce & Industry, past President of the Chamber of Commerce of the Philippines Foundation; and Chairman Emeritus of the Philippine Chamber of Commerce & Industry. He obtained his degree in Bachelor of Science in Industrial Engineering from the University of the Philippines, in 1967, and was conferred Doctor of Humanities, Honoris Causa from the Central Luzon State University.

RAMON L. MAPA, 72 years old, Filipino, is a director of the Corporation since 1976 and a Vice Chairman of the Board of Directors since October, 2007 and director of the various subsidiaries of Corporation. He is presently the Treasurer of Optimum Asia Realty & Development Corporation, Director of Sta. Elena Properties, Inc., since 2002, and Director and Treasurer of Maple Agricultural Corporation, and Maple Realty Corporation since 2002. He obtained his degree in Bachelor of Arts, major in Economics from the Ateneo University in 1965 and earned MBA credits also at the Ateneo University in 1966.

OSCAR L. DE VENECIA, JR., 48 years old, Filipino, is a director and the President and CEO of the Corporation. He was the Executive Vice President & COO of the Corporation since April 04, 2007 and was appointed as President & CEO of the Corporation in August, 2011. He has served the Corporation in various executive positions, namely, as SVP and COO from June,1997 up to June, 2001 and was the President and CEO from December, 2002 up to November, 2005. He is the President of Basic Geothermal Energy Corporation, Basic Ecomarket Farms, Inc. and Basic Biofuels Corporation, the President & COO of Basic

Diversified Industrial Holdings, Inc., the Chairman and President of iBasic, Inc., director of Basic Consolidated International, Inc. and President of Southwest Resources, Inc. He was the President of Forum Energy Philippines, Inc. from November 2005 to April 2007, Chairman and CEO of Blue Bamboo Solutions, Inc. from September, 2002 to December, 2005, a Consultant for Strategic Alliance Development Corporation from March, 2002 and moved as Business Development Manager of Stradcom Corporation from May to November, 2002. He was the President of the Rotary Club of Makati East for the Rotary Year 2010-2011, and is a member of the Management Association of the Philippines. He was appointed Honorary Vice Consul of the Consulate of Ukraine in the Philippines covering the Clark-Subic Economic Zone on February 18, 2011. He obtained his degree in Bachelor of Arts in Economics from Fordham University, New York City, in 1996.

REYNALDO T. CASAS, 70 years old, Filipino, is an Independent Director of the Corporation since 2015. He is presently the President for Projects of Nv vogt Philippines, which is focused on building ground mounted solar farms. He is the President of Advance Renewables Energy, Inc. which is currently the Filipino company stakeholder of Nv vogt Philippines. He is a member of the Board of Trustees of SAIDI School of Organization Development, since August, 2014. He is also the President of RGCasas Realty, a family-owned real estate business. He co-founded Adtel, Inc. with the Lopez Group of Companies in 1994 and served as its President and COO up to 2012. He was Senior Vice President for sales of EasyCall Phils. from 1992 to1994 and was Manager of Bellsouth International Telephone Co. from 1988 to 1992, which established its Hongkong office as the center for business development in Asia. Prior to his stint with Bellsouth, he worked with IBM Philippines and Kodak Philippines. For his current civic affiliations, among others, he is a member of the Management Association of the Philippines, member of the Rotary Club of Makati East, where he served as President for the term 1998-1999, member of the Villamor Golf & Country Club and member of the Philippine Columbian Tennis Club. He obtained his degrees in Bachelor of Liberal Arts/Commerce from San Beda College in 1969, where he was a gold medallist in Academics. He took postgraduate studies in Strategic Business Economics in 2000, and obtained a Master's degree in Business Economics in 2007, from the University of Asia & the Pacific. He completed his Doctorate Degree or PhD on Organization Development in 2012 at SAIDI.

MA. FLORINA M. CHAN, 60 years old, Filipino, is a Director of the Corporation since April 3, 2008 and director of the various subsidiaries of the Corporation since 2008. She was the President & COO of Philippine Commercial Capital, Inc., with which she was employed from July 16, 1982 to March 31, 2011. She was also a director of PCCI Securities Brokers Corporation, International Capital Corporation and PCCI Equities, Inc., since 2005. She obtained her degree in Bachelor of Science in Business Economics at the University of the Philippines in 1977 and Master in Business Administration at the Fordham University in 1980.

HARVEY LAWRENCE N. DYCHIAO, 47 years old, Filipino, is a director of the Corporation since July, 2015. He is the Managing Director of Bonifacio Capital, Inc. He is a New York and Philippine-qualified lawyer with extensive transactional experience in mergers and acquisitions, buy-outs and financing got private equity funds and strategic investors. His experience also includes advising in relation to project development, capital raising, privatizations/ restructurings of state-owned enterprises, structured finance transactions and insolvency workouts. His sector focus has included mining project development, transportation (aircraft), real estate, financial institutions, public utilities and consumer goods, among others. He has also served in the public sector with the privatization and special projects team of the Department of Finance of the Philippines. He attended Harvard Law School and is the executive director of the 800-member Harvard Club of the Philippines.

EDUARDO V. MAÑALAC, 69 years old, Filipino, an Independent Director, and has been a director of the Corporation, and its subsidiaries since October, 2009. He is currently President of TransEnergy International Limited. From 2003 to late 2004, Mr. Mañalac was Undersecretary of the Department of Energy (DOE) of the Philippines, where, among other achievements, he promoted the standardization and use of coconut biodiesel, which highlighted the DOE's participation in developing the "Biofuels Law." He instituted a transparent new system for the awarding of oil service contracts, that led to the First Philippine Contracting Round in 2003. He was appointed President and CEO of the Philippine National Oil Company (PNOC) on August, 30, 2004, President and CEO of the PNOC Exploration Corporation (PNOC-EC) in September, 2004, and subsequently Chairman of the PNOC Energy Development Corporation (PNOC-EDC) within the same period. Mr. Mañalac also initiated international cooperative meetings that led to the historic signing of the Tripartite Agreement for a Joint Marine Seismic Undertaking in the South China Sea between the Philippines (PNOC), China (China National Offshore Oil Corporation), and Vietnam (Petrovietnam).

Prior to 2003, he was an executive for the Oklahoma-based Phillips Petroleum Company, now Conoco Phillips based in Houston Texas. He served as Exploration Manager for North America from 1981-85 and was then assigned to head Phillips Petroleum Company Indonesia as its Managing Director from 1985-87. He was also President and General Manager of Phillips Pakistan from 1987-89 and Exploration Manager for Latin America from 1989-95. His last posting with Phillips was China, where, as Vice-President and Exploration Manager for Phillips China, he discovered the giant Peng Lai oil field in northern China's Bohai Bay in 1999. For this reason, and for other outstanding achievements, the government of the People's Republic of China honoured him with its Friendship Award in 2000, and its first-ever Foreign Model Worker Award in 2003.

Mr. Mañalac attended the University of the Philippines in Diliman, Q.C. Philippines, which granted him an Outstanding Alumni Award in 2001. He graduated from UP with a Bachelor of Science degree in Geology in 1967, and completed post-Graduate studies in petroleum geology through 1969.

JAIME J. MARTIREZ, 61 years old, Filipino, is a director of the Corporation and its subsidiaries since October, 2007. He is the President & CEO of Unicapital Finance and Investments, Inc., Managing Director and Treasurer of Unicapital, Inc., Treasurer and Director of Unicapital Securities, Inc., Chairman, and President & CEO of Unoventure, Inc., a PEZA registered enterprise facilities provider. He is the Chairman of the Executive Committee of the Unicapital Group of Companies. He holds other director positions- in Majalco, Inc., a diversified holding corporation, Malayan Savings Bank, CCC Insurance Corporation, and Insular Rural Bank, a Las Pinas based rural bank. He is also a director of the Philippine Finance Association, and is a member of the Makati Business Club. He has acquired and developed professional expertise in the field of Investment Banking for the last 26 years, since 1976. He obtained his degree in Bachelor of Science in Management from De La Salle University in 1975 and is a candidate for a Masters degree in Business Administration from the Ateneo de Manila University Graduate School in 1979.

OSCAR S. REYES, 70 years old, Filipino, and a director of the Corporation and its subsidiaries since June 2007. He is presently the President and Chief Executive Officer of the Manila Electric Corporation. Among his other positions are: President of Meralco Powergen Corporation, Chairman of Meralco Industrial Engineering Services, Inc., Meralco Energy, Inc., CIS Bayad Center, Inc., Redondo Peninsula Energy Inc., and Pepsi Cola Products Philippines, Inc.; Member of the Board of Directors of Philippine Long Distance Telephone Company (Advisory Board), PLDT Communications & Energy Ventures Inc.; Independent Director of Bank of the Philippine Islands, Manila Water Co., Cosco Capital Inc., Sun Life Financial Plans, Inc., Sun Life Prosperity Funds, Grepalife Asset Management Corporation, Petrolift Inc., and Eramen Minerals Inc., among other firms. Prior to these posts, he served the Shell Companies in the Philippines in various capacities, including Country Chairman and concurrently President of Pilipinas Shell Petroleum Corporation, and Managing Director of Shell Philippines Exploration B.V. He is a Member of the Board of Trustees of One Meralco Foundation, Pilipinas Shell Foundation, Inc., SGV Foundation, and El Nido Foundation, Inc. He finished his BA, Major in Economics (Cum Laude) at the Ateneo de Manila University in 1965. He took post-graduate studies at the Ateneo Graduate School of Business, Waterloo Lutheran University and the Harvard Business School

ISIDORO O. TAN, 68 years old, Filipino, is a director of the Corporation and its subsidiaries. since 1993 He is also the President & Director of Filspin, Inc. for the last six (6) years. He obtained his degree in Bachelor of Science in Industrial Engineering at the Adamson University in 1969.

OFFICERS

ANTHONY L. CUAYCONG, 48 years old, Filipino, is the General Manager of the Corporation with the rank of Senior Vice President since October 1, 2015. He was President/Chief Executive Officer and Vice President/Chief Operations Officer of Business World Publishing Corporation from 2005 to 2015. He obtained his Bachelor of Arts, Major in Economics degree from the Ateneo De Manila University in 1989 and his Master in Business Management degree from the Asian Institute of Management in 1998.

CORAZON M. BEJASA, 68 years old, Filipino, is the Corporate Secretary of the Corporation with the rank of Vice President since July 12, 2007. She was Head, Legal and Human Resources of ValueGen Insurance Corporation and Banclife Insurance Corporation from 2002 to 2006. Earlier, she was Corporate Secretary and Senior Vice President for Support Services and occupied various department head positions for legal, human resources, credit, administration, mortgage banking and consumer banking at Urban Bank from 1983 to 2000. She was also employed as legal research officer then legal executive assistant at the Central Bank of the Philippines from 1974 to 1983 and Assistant to the Secretary of the Monetary Board in 1991, and as legal researcher at the Supreme Court of the Philippines from 1972 to 1974. She obtained her Bachelor of Laws from the University of Santo Tomas, Magna Cum Laude, in 1972 and was 8th Place in 1972 Bar Examinations.

ALBERTO P. MORILLO, 60 years old, Filipino, is the Vice-President for Petroleum Operations since 2007. He first joined the Corporation in July 1987 as Geologist and became Vice President in 1989 until 1997. He continued serving the Corporation as a Consultant from 1997 and was rehired as Vice President for Petroleum Operations in 2007. Prior to re-joining the Corporation, he was Vice President for Exploration of Forum Exploration, Inc. from 1997 to 1999. His earlier work included stints as Geologist in various exploration and mining companies including PNOC – Exploration Corporation, Semirara Coal Corporation and Jasra Kutei Basin Ltd. in Indonesia, among others. He is also concurrently a Director of First Exploration and Development Services, a technical consultancy firm. He obtained his Bachelor of Science degree in Geology from the University of the Philippines in 1978, and has earned MBA units from the Ateneo de Manila University. He has taken the Management Development Program from the Asian Institute of Management in 1994, and an MS in Computer Science (pending thesis) from the AMA Computer College in 2001.

MARIETTA V. VILLAFUERTE, 69 years old, Filipino, is the Treasurer of the Corporation with rank of Vice President since March 16, 2009. She was Vice-President for Finance of the Corporation from January, 2008 to March 15, 2009. She was the Senior Vice President & Comptroller of PentaCapital Finance Corporation, with whom she was employed as Comptroller since September, 1993. Previous to that, she assumed various positions in General Credit Corporation (which subsequently became PentaCapital) as Personnel

Manager, Credit Manager and then Comptroller. She is a Certified Public Accountant, and obtained her degree in Bachelor of Science in Business Administration, Major in Accounting, from the University of the Philippines, in 1968.

ANGEL P. GAHOL, 62 years old, Filipino, is the Assistant Vice President- Legal Department of the Corporation since August 15, 2006. He is the Assistant Corporate Secretary and Compliance Officer of the Corporation. He has been the Legal and Human Resources Manager of the PHINMA's industrial estate, Bacnotan Industrial Park Corporation,.and Bacnotan Steel Industries, Inc. from 1997 to 2002 and of the mini-steel mill plant project located in Calaca, Batangas as HRD Manager on a concurrent basis. He has been with Bacnotan Consolidated Industries, Inc. for eight years as Legal Assistant and with PHINMA's Legal Department for more than seven years as Assistant Legal Counsel. He obtained his degree in Bachelor of Arts, major in Economics, from the University of Santo Tomas in 1973 and his degree in Bachelor of Laws from the same university in 1979.

PETER JAMES D. LEANO V, 39 years old, Filipino, is the Drilling and Logistics Manager – Operations Department of the Corporation since March 3, 2014. He is the Managing Partner of Geo-Exploration Services Company engaged in exploration drilling projects of mining and cement companies. He was the General Manager of Primo Asia Mining and Drilling, Inc.- Philippines. Previous to that, he was a Training Consultant for the Philippine Human Rights Information Center, Philippines and that of the Office of the Presidential Adviser on Food Security. He is a graduate of Business Administration in Development Studies from the University of the Philippines , in 1997.

DARIUS A. MARASIGAN, 44 years old, Filipino, is the Business Development Officer of the Corporation. He rendered consultancy services on renewable energy projects for Restored Energy Development Corporation of the Armadillo Group of Companies from August, 2012 to April, 2014, and for PNOC Renewables Corporation from November, 2010 to August 2013. He was Senior Planning Officer at the PPP Center of the Philippines of NEDA from July, 2007 to October, 2010. Prior thereto, he was employed as Officer-in-Charge, Contracts & Claims Unit of the Meralco Industrial Engineering Services Corporation. He graduated from the Mapua Institute of Technology with a Bachelor of Science degree in Electrical Engineering, in 1994.

MARGARET LOUISE L. HONRADO, 32 years old, Filipino, is the Technical Manager-Operations Department of the Corporation. She was the Team Leader and Technical Assistant of PNOC Renewable Corporation (PNOC-RC) from 2011-2013, handling geological work and technical reports of the various projects of PNOC-RC. She was a Lecturer on environmental science at the Ateneo de Manila University from 2010 to 2011 and as a Project Research Associate in January 2010-May 2010 and University Research Associate in 2006-2009 of the National Institute of Geological Science of the University of the Philippines. She obtained her Bachelor of Science major in Physics at the University of the Philippines in 2005 and delivered her thesis in Master of Science in Geology in 2006.

SIGNIFICANT EMPLOYEES

The key officers of the Corporation who are expected to make a significant contribution to the business of the Corporation consist of the above-named directors holding executive positions and officers. To retain these key officers, the employee benefits of the Corporation as defined in its Personnel Manual, may be upgraded when warranted by an improved financial condition of the Corporation, to make these benefits competitive with the industry.

FAMILY RELATIONSHIPS

Mr. Oscar L. de Venecia, Jr., President & CEO, is the son of Mr. Oscar C. De Venecia, the Chairman of the Corporation. There are no other family relationships within the fourth civil degree known to the Corporation among the rest of the directors, nominees and executive officers of the Corporation.

INVOLVEMENT IN ANY LEGAL PROCEEDINGS

The Corporation is not aware of any bankruptcy proceedings filed against any of its directors or executive officers, nor of any criminal conviction or final judgment barring or limiting any business involvement or any order, judgment or decree subjecting said directors or executive officers, or a violation of a securities or commodities law or regulation filed against any of its directors or executive officers, during the past five (5) years ending March 31, 2016.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In April, 2012, the late Dra. Teresita De Venecia, a fourth degree relative (cousin-in-law) of the Chairman, assigned her rights in certain properties registered in the name of Pan Phil Aqua Culture Corporation located in San Fabian, Pangasinan with an aggregate lot area of 185,081 square meters, to the extent of 2.3% interest, for a consideration of Php 1.5 Million.

Other than this transaction, there has been no material transaction during the past two years, nor is there any material transaction, contractual or other commitments, currently on-going or being proposed, to which the Corporation was or is to be a party with any incumbent director and/or executive officer of the Corporation, disclosed or required to be disclosed in the financial statements of the Corporation pursuant to SFAS/IAS No. 24. In the normal course of business, the Corporation has transactions with its subsidiaries consisting of non-interest bearing advances to finance the working capital requirements of these subsidiaries, and provides assistance to its subsidiaries in carrying out certain administrative functions in connection with its business operations.

ITEM VI – COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

NAME/POSITION	FISCAL YEAR	SALARIES	BONUSES	OTHER COMPENSATION
Oscar L. de Venecia, Jr. President & COO **Anthony L. Cuaycong SVP-General Manager** **Marietta V. Villafuerte** VP-Treasurer **Corazon M. Bejasa** VP & Corporate Secretary **Alberto P. Morillo** VP-Operations **Angel P. Gahol AVP-Compliance Officer**				

Total	*2016* *2015* *2014*	Php11,004,240.00 (estimated) Php8,913,113.00 Php7,852,785.00	Php917,020 (estimated) Php674,571.00 Php1,257,200.00	0 0 0
All Other Officers as a Group Unnamed	*2016* *2015* *2014*	Php1,786,200.00 (estimated) Php2,336,962.00 Php2,016,878.00	Php148,840.00 (estimated) Php178,149.00 Php341,542.00	0 0 0

The Directors of the Corporation do not receive compensation from the Corporation, except per diems for attendance at Board and Committee Meetings at Php13,,500.00 and Php6,750.00 per attendance, respectively. Except for the stock option plan discussed below and the existing retirement plan for officers and employees of the Corporation, and the Management Contract of the President & CEO, there is no other existing compensatory plan or arrangement covering bonuses, profit-sharing, warrants, options and other rights for directors and officers of the Corporation, or which will arise from the resignation, retirement, expiration of term of employment, change in control or change in the officer's responsibilities.

A stock option plan was approved by the stockholders at the 2007 annual meeting of stockholders, whereby directors and members of the Advisory Board, officers and selected employees of the Corporation and its subsidiaries, and other persons as determined by the Board of Directors shall be granted the option to purchase shares of stock of the Corporation from its unissued capital stock at par value, and exercisable on the 3rd year from approval of the plan by the stockholders, subject to such allocation of shares as may be approved by the Board of Directors, not to exceed the total of 500,000,000 shares (SOP shares). On June 18, 2010, the stockholders approved the extension of the exercise period from July 12, 2010 to July 11, 2013. The details and mechanics of the plan have been approved by the Board of Directors on July 29, 2011. The SEC has issued its Certificate of Exemption from Registration requirements on September 8, 2011. The SOP shares were approved for listing by the Philippine Stock Exchange, 26,700,000 shares in December, 2012 and 473,300,000 shares in July, 2013. As of March 31, 2016, 117,625,000 shares have been paid and listed in the Philippine Stock Exchange.

ITEM VII. INDEPENDENT AUDITORS

Sycip, Gorres, Velayo & Co. (SGV) was the Corporation's independent auditors for the year 2015. The same auditing firm is being recommended for appointment as the Corporation's external auditor for the year 2016 by the stockholders at the annual meeting of stockholders. Representatives of SGV will be present during the annual meeting of stockholders and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions from stockholders, should there be any. SGV has accepted the Corporation's invitation to stand for re-election this year.

Audit services of SGV for the fiscal year ended December 31, 2015 included the examination of the books and consolidated financial statements of the Corporation, assistance in the preparation of the Corporation's final income tax returns and other services related to filing of reports made with the Securities and Exchange Commission and the Bureau of Internal Revenue. The audit fees for 2014 and 2015 were Php800,000.00 and Php530,000.00, respectively. The audit fee for 2014 was fully paid as of April 20, 2015, while the audit fee for 2015 was fully paid as of April 14, 2016.

There was no event in the past five (5) years where SGV and the Corporation had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

Upon recommendation of the Audit Committee and the Board of Directors, SGV will be recommended as the external auditor who will conduct the audit of the Corporation for the fiscal year 2016, subject to approval by the stockholders. In compliance with SRC Rule 68, paragraph 3(b)(iv) (Rotation of External Auditors), Mr. Jaime F. del Rosario, was assigned as partner-in-charge beginning with the 2013 audited financial statements.

ITEM VIII - COMPENSATION PLANS

There are no plans, under which cash or non-cash compensation may be paid or distributed to directors and officers of the Corporation, which will be taken up at the annual meeting of stockholders.

C. <u>ISSUANCE AND EXCHANGE OF SECURITIES</u>

ITEM IX - AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE

There is no capital increase or issuance of securities which will be submitted for approval of stockholders at the annual stockholders meeting.

ITEM X - MODIFICATION OR EXCHANGE OF SECURITIES

There is no modification or exchange of securities which will be submitted for approval of stockholders at the annual stockholders meeting.

ITEM XI - FINANCIAL AND OTHER INFORMATION

(a) 2015 Audited Financial Statements

The 2015 financial statements of the Corporation were audited by the Corporation's external auditors:

SGV & Company
Mailing Address: SGV Building, 6760 Ayala Avenue, Makati City 1226
Certifying Partner: Jaime F. Del Rosario
C.P.A. No. 56915
PTR No. 532628 issued on January 4, 2016

The Consolidated Audited Financial Statements of the Corporation as of December 31, 2015 are attached as part of this Information Statement.

(b) Changes in and disagreements with accountants on accounting and financial disclosures

There are no disagreements with the Corporation's external auditors on any accounting principles or practices, and financial statement disclosures or auditing scope or procedures in the 2015 audited financial statements of the Corporation.

The accounting policies adopted are consistent with those of the previous financial reporting year, except for the following revised and amended PFRS, PAS and Philippine Interpretations, based on the International Financial Reporting Committee Interpretations, which the Company adopted as of January 1, 2015. The adoption of these changes are either not relevant to or have no significant impact on the consolidated financial statements, namely:

i) PAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)
ii) Annual Improvements to PFRSs (2010-2012 cycle)
iii) Annual Improvements to PFRSs (2011-2013 cycle)

The above changes were disclosed in the Audited Consolidated Financial Statements of the Corporation as of December 31, 2015, attached as part of this Information Statement.

(c) Participation of Representatives of External Auditors

Representatives of SGV and Company, which audited the aforementioned financial statements of the Corporation (i) are expected to be present at the annual meeting of stockholders (ii) will have the opportunity to make a statement if they desire to do so; and (iii)are expected to be available to respond to appropriate questions from stockholders during said meeting.

(d) Incorporation by Reference

The following documents are incorporated herein by reference and are attachments to this Information Statement:

(1) Notice of Annual Stockholders Meeting and Proxy Form;
(2) 2015 Management Report
(3) Audited Consolidated Financial Statements of the Corporation as of December 31, 2015; and
(4) SEC Form 17-Q covering the Interim Financial Statements of the Corporation as of March 31, 2016.

ITEM XII - MERGER, CONSOLIDATION, ACQUISITION & SIMILAR MATTERS

There are no actions to be taken up at the annual meeting of stockholders which will involve the merger or consolidation of the Corporation with another entity or acquisition by the Corporation of any other going business or the assets thereof.

ITEM XIII – ACQUISITION/DISPOSITION OF PROPERTY

There are no actions to be taken up at the annual meeting of stockholders which will involve the acquisition or disposition of property, whether real or personal, of the Corporation.

ITEM XIV - RESTATEMENT OF ACCOUNTS

There are no actions to be taken up at the annual meeting of stockholders which will involve the restatement of any asset, capital or surplus account of the Corporation.

D. OTHER MATTERS

ITEM XV – ACTION WITH RESPECT TO REPORTS

The following actions on reports of the Corporation shall be sought for in the annual meeting of stockholders:

(a) Approval of the Minutes of the 2015 Annual Stockholders' Meeting held on June 30, 2015.

The Minutes contain the following:

- Approval of the Minutes of the 2014 Stockholders' Meeting.
- Notation of the 2014 Management Report and the 2014 Audited Financial Statements.
- Ratification of all acts done by the Board of Directors and Management for the term 2014-2015.
- Election of the Directors of the Corporation for the term 2015-2016; and
- Appointment of SGV & Co. as the external auditor for the fiscal year 2015; and

(b) Notation of the 2015 Management Report and the Audited Consolidated Financial Statements for the year ending December 31, 2015.

(c) Ratification of all acts of the Board of Directors and Management for the period covering the term 2015-2016, a list of which shall be furnished to all stockholders of the Corporation at the annual meeting of stockholders.

(d) Election of the Members of the Board of Directors including Independent Directors for the ensuing year; and

(e) Appointment of External Auditors for the fiscal year 2016.

ITEM XVI - MATTERS NOT REQUIRED TO BE SUBMITTED

There are no matters to be taken up at the annual meeting of stockholders which are not required to be submitted for stockholders' vote or approval.

ITEM XVII – AMENDMENTS TO THE ARTICLES OF INCORPORATION AND BY-LAWS

There are no matters to be taken up at the annual meeting of stockholders which will involve the amendments to the Amended Articles of Incorporation and to the Amended By-Laws of the Corporation.

ITEM XVIII - OTHER PROPOSED ACTION

There are no other proposed actions to be submitted for stockholders' approval at the annual meeting of stockholders:

ITEM XIX - VOTING PROCEDURES

(a) <u>VOTE REQUIRED</u>

Motions in general require the affirmative vote of a majority of the shares of the Corporation's common stock present and/or represented and entitled to vote in the annual meeting of stockholders.. The proposed amendments to the Amended By-Laws of the Corporation will require the affirmative vote of at least two thirds ($^2/_3$) of the outstanding and issued capital stock of the Corporation.

(b) <u>ELECTION OF DIRECTORS</u>

In the election of directors, every stockholder entitled to vote shall be allowed to accumulate his vote in accordance with the provisions of law. For this year's election, the top eleven (11) nominees with the most number of votes will be declared as the elected directors. If the number of the nominees does not exceed the number of directors to be elected, all the shares present or represented at the meeting will be cast in favor of the nominees. If the number of nominees exceeds the number of directors to be elected, voting will be done by ballot.

(b) <u>METHOD OF COUNTING VOTES</u>

Counting of votes will be done by the Corporate Secretary (or his authorized representatives) with the assistance of the representatives of the independent auditors and stock transfer agent of the Corporation. All votes attaching to the shares of common stock owned by stockholders whose proxies were received by the Corporation will be cast in accordance with the instructions given or authority granted under the proxies.

ATTACHMENTS

The attachments to this Information Statement consist of the Notice of Stockholders' Meeting and Proxy Form, the Corporation's 2015 Management Report, the 2015 Consolidated Audited Financial Statements of the Corporation and SEC Form 17-Q covering the Interim Financial Statements of the Corporation as of March 31, 2016.

The Corporation will provide without charge each person solicited, on the written requirement of any such person, a copy of the Corporation's Annual Report for 2015 (SEC Form 17-A). Such written request should be directed to the:

Corporate Secretary
Basic Energy Corporation
7th Floor, Basic Petroleum Bldg.
104 Carlos Palanca, Jr. St., Legaspi Village
Makati City

Copies of resolutions of the Board of Directors, since the 2015 Annual Stockholders' Meeting, are available for examination during office hours at the office of the Corporate Secretary.

<u>PART II</u>

<u>SOLICITATION INFORMATION</u>

ITEM I - IDENTIFICATION

BASIC ENERGY CORPORATION, IN ITS BEHALF, IS SOLICITNG PROXIES IN CONNECTION WITH ITS ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 29, 2016 at 3:00 P.M. AT THE MANILA GOLF AND COUNTRY CLUB, HARVARD ROAD, FORBES PARK, MAKATI CITY.

ITEM II - INSTRUCTIONS

a) The proxy form attached to this Information Statement shall be used, signed by the stockholder concerned, and need not be notarized. The proxy shall be executed in favour of the Chairman of the Board or in his absence, the Secretary of the meeting.

b) The proxy for a stockholder which is a corporation or a partnership should be executed by a duly authorized officer of the corporation or partnership and must be accompanied by a Corporate Secretary's Certificate quoting the Board or Partners' resolution or extracts thereof authorizing the said corporate officer to execute said proxy.

c) Executors, administrators, receivers and other legal representatives duly appointed by the court may attend and vote on behalf of the stockholders, without need of any written proxy, provided a copy of the court appointment shall be presented to the Corporate Secretary of the Corporation.

d) The proxy form for shares of stock owned jointly shall be signed by all owners and for shares owned in an "and/or" capacity, by any one of the owners.

e) Proxy form executed abroad shall be duly authenticated by the Philippine embassy or consular office in that state or country.

f) Proxies should be submitted to the Corporate Secretary of the Corporation on or before June 17, 2016.

g) The Committee of Inspectors designated by the Board of Directors shall validate the proxies on June 24, 2016 at 3:00 P.M. at the principal office of the Corporation, and any stockholder, in person or through counsel, may be present during the validation of proxies. The proxy rules under the SEC implementing rules SRC No. 20 (11) (b) shall govern all proxy issues raised during the validation process.

ITEM III - REVOCABILITY OF PROXY

A stockholder giving a proxy has the power to revoke it by a written instrument at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expresses his intention to vote in person.

ITEM IV– PERSON MAKING THE SOLICITATION

The solicitation of proxies is being undertaken by the Corporation in order to obtain the required quorum and the required vote to approve the matters to be taken up at the annual meeting of stockholders. The Corporation has not received any written information by any director of any intention to oppose any action to be taken up in the annual meeting of stockholders.

The Corporation intends to utilize couriers and messengers and the services of the Philippine Post Office to undertake the personal delivery of the proxy statements and proxy forms. Costs will be limited to the printing costs, costs of delivery services and mailing, estimated at about Php 400,000.00 and will be shouldered by the Corporation.

ITEM V - INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No director or officer of the Corporation or nominee for election as director, or officer of the Corporation, or past director or officer of the Corporation at anytime since the beginning of the last fiscal year, and to the best knowledge of the Corporation, no associate of a director or officer or nominee for election as director or officer of the Corporation has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the Annual Meeting of Stockholders, other than the election to office as directors of the incumbent directors and the extension of the exercise period for the Corporation's stock and option plan.

PART III

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, and after reasonable inquiry and to the best of our knowledge and belief and on behalf of the Corporation, we certify that the information set forth in this report is true, complete and correct.

Signed on April 20, 2016, at Makati City.

OSCAR L. DE VENECIA, JR.
President & CEO

MARIETTA V. VILLAFUERTE
Treasurer

CORAZON M. BEJASA
Corporate Secretary

BASIC ENERGY
CORPORATION

2015 MANAGEMENT REPORT

BUSINESS AND GENERAL INFORMATION
PART I. BUSINESS

(A) <u>Description of Business</u>

(1) Business Development

The Company was organized initially as Basic Enterprises, Inc., on September 19, 1968 and became an oil and gas exploration and development company on April 26, 1971. A year after, it assumed a new name, Basic Petroleum and Minerals, Inc. Over the years, the Company evolved from an operating company into a holding company under the corporate name, Basic Consolidated, Inc. As a holding company, it holds equity investments in the following wholly owned subsidiaries: Basic Diversified Industrial Holdings, Inc., an investment holding company, iBasic, Inc., an information technology management company and service integrator, Basic Biofuels Corporation, which is into the development of biofuels, Basic Ecomarket Farms, Inc., which is into agriculture, focusing initially on cassava development, and Basic Geothermal Energy Corporation, which is into geothermal energy development, and in Southwest Resources, Inc., an oil exploration company, which is owned 72.58% by the Company, and in Grandway Group Limited, a Hong Kong registered company, which is the joint venture company with Petrosolve Bhd Sdn (Malaysia), with the Company holding a 70% equity interest.

On the Company's oil and gas business, the Company is a party, together with other oil exploration companies, in the exploration, development and production in certain areas under Service Contract 53 in onshore Mindoro. The Company, through its subsidiary, Southwest Resources, Inc., used to be involved in Service Contract 41 (Sandakan Basin) but in July, 2010, the consortium decided to withdraw from this service contract. The Company was a party, together with other oil exploration companies, in the exploration, development and production in certain areas under Service Contract 47 in offshore Mindoro, however, this service contract has already been relinquished to the Department of Energy.

The Company has been awarded by the Department of Energy a total of five (5) service contracts for the exploration and development of geothermal energy, namely: GSC No. 8 at Mabini, Batangas, which was awarded in 2007, and GSC No. 2013-02-042 at Mariveles, Bataan, GSC No. 2013-02-041 at East Mankayan, Benguet, Mountain Province and Ifugao, GSC No. 2013-02-043 at Iriga, Camarines Sur and Albay and GSC No. 2013 - 11-048 at West Bulusan, Sorsogon, which were awarded in 2013. For GSC No. 8, the Company is committed to drill an exploratory well by July, 2016, while pre-development works are being undertaken in the other geothermal power projects.

In 2013, the Company entered into a joint venture arrangement with Petrosolve Sdn Bhd, a company registered in Malaysia, which is into the business of developing oil fields and holds a technology for enhanced chemical oil recovery. The joint venture established Grandway Group Limited, a joint venture company in Hong Kong, which is 70% owned by the Company and 30% owned by Petrosolve Sdn Bhd, as the corporate vehicle of the joint venture in entering into business relationships in connection with the management and operation of oil wells. The joint venture then established PT Basic Energi Solusi, as its operating arm in Indonesia for the management and operation of oil wells located in the Dadangilo and Wonocolo areas. In 2015, after having drilled five (5) wells, PT BES placed the project on hold until Pertamina has finalized the organizational structure of local miners in said areas who will handle the management and operation of oil wells in said areas and with whom PT BES shall enter into new co-operation agreements.

In 2014, the Company was awarded by the Department of Energy four (4) hydro-power service contracts, namely: HSC No. 2014-01-383 at Puntian 1 River, HSC No. 2014-01-384 at Puntian 2 River, HSC No. 2014-01-385 at Malogo 2 River and HSC No. 2014-01-386 at Talabaan River, all located in Negros Occidental. The Company recently submitted to the Department of Energy its intent to withdraw from these service contracts, to enable the Company to focus on the drilling operations in GSC No. 8.

The Company continues to look at business opportunities for the development of other renewable energy resources such solar energy and wind power, as it pursues its geothermal energy projects.

(2) *Business of the Company and its Subsidiaries*

Oil and Gas Operations

The Company is involved in oil exploration and development activities. The Company is presently a party together with other oil exploration companies (the consortium), in Service Contract 53 for the exploration, development and exploitation of certain areas in onshore Mindoro. This service contract was awarded by the Department of Energy, which prescribes the periods and programs for exploration, development and commercial production, pursuant to Presidential Decree No. 87.

Service Contract(SC) 53 (Onshore Mindoro)

SC53 was awarded by the Department of Energy on July 8, 2005, for a ten years exploration period. It covers 6,600 sq. km. of the onshore areas of Mindoro Island which is within the North Palawan Micro-Continental Block. Past exploration efforts in SC 53 included the acquisition of 2,000 kilometers of 2D seismic data and the drilling of 4 exploration wells. Three of the 4 wells encountered oil and gas but were considered non-commercial at the time of drilling.

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

On July 11, 2011, Resource Management Associates Pty Limited of Australia signed a Farm In Agreement with Pitkin Petroleum to acquire 35% from its 70% participating interest. In November 11, 2011, Pitkin Petroleum reported that Sub-Phase 1, which was to end March 6, 2012, was fulfilled with the completion of the 200 kilometers of seismic data.

Sub-Phase 2 which carries a minimum work obligation of 2 wells and a financial commitment of US$2.0 million, have been extended up to the resolution of the complaint filed by Famatodi, Inc., an organization of indigenous peoples in Mindoro and the issuance of the Certificate of Precondition by the National Commission of Indigenous Peoples.

The consortium agreed to drill Progreso-2 to fulfil one of the 2 well obligations and the planned geology and geophysical works will be negotiated as fulfilment of the second well. For this Sub-Phase 2, the approved firm budget amounts to US$ 8.42 million and the contingent budget amounts to US$ 6.14 million The project is presently suspended, however, pending resolution of the aforementioned case filed by Famatodi, Inc. and clearance by the NCIP.

The Company has a 3% participation in this service contract.

Indonesia Oil Project

This project is being undertaken in Central Java, Indonesia and involves the management and operation of oil wells by PT Basic Energi Solusi (PT BES), the company registered in Indonesia, as the operating arm of Grandway Group Ltd., the joint venture between the Company and Petrosolve Bhd Sdn.

PT BES acquired the rights to manage ten (10) wells in the Dadangilo and Wonocolo areas, with the objective of rehabilitating these wells for possible limited oil production. As of December 31, 2014, five (5) wells have been drilled. In the first half of 2015, however, PT Pertamina, which holds the service contract in these areas from the government of Indonesia, terminated the oil production agreements with the local miners' organizations, and designated a temporary organization of local miners to manage the oil fields in said areas. With the decrease in world oil prices, PT Pertamina decreased its buying price for oil from these oil fields. PT BES then suspended drilling and oil production operations, pending the finalization by PT Pertamina of the organizational structure of local miners who will handle the management and production of oil from these oil fields and with whom PT BES will enter into new co-operation agreements.

Geothermal Energy Operations

The Company is likewise involved in the exploration, development and production of geothermal energy. It has been awarded service contracts for various areas by the Department of Energy, which prescribes the periods and programs for these service contracts pursuant to Presidential Decree No. 87, for the Mabini Geothermal Service Contract and pursuant to R.A. 9513 (Renewable Energy Act of 2008) for the other geothermal service contracts.

Mabini, Batangas Geothermal Service Contract

The Mabini, Batangas Geothermal Service Contract was awarded to the Company on July 10, 2008. The contract area is approximately 32.5 square kilometers and covers the Calumpan Peninsula. The contract period for exploration is 5 years, and was extended up to

2016, subdivided in 3 Phases. Sub Phase 1 (Years 1 and 2) and sub phase 2 (Year 3) minimum work commitments include geological, geophysical and geochemical works that are designed to identify a drilling location and assess the geothermal potential of the contract area. The Company has the option to drill a well or return the Service Contract to the Department of Energy in case there is no technical justification to drill a well.

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

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

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

Trans-Asia Energy Corporation has agreed to a 25% participating interest in this project, which was confirmed upon completion of the gravity survey which it conducted in 2014.

For this service contract, the work program is currently on Sub-Phase 3 which involves the drilling of one (1) exploratory well by July, 2016. Estimated costs for this work program is Php167 Million. Site preparation is on-going, while the drilling contract had already awarded to Diamond Drilling Corporation of the Philippines. Discussions are on-going with other investors, contractors, service providers and suppliers.

Frontier Geothermal Service Contracts

The Company was also awarded the service contracts from the Department of Energy, covering four (4) geothermal projects, namely: Iriga Geothermal Power Project, Mariveles Geothermal Power Project , the East Mankayan Geothermal Power Project and the West Bulusan Geothermal Power Project, all carrying a maximum exploration period of 5 years.

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

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

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

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

These projects are undergoing permitting works and coordination with the local government units involved. Estimated costs for the work programs for these service contracts for 2016 is Php 33 Million.

Hydro-Power Energy

The Company has been awarded service contracts for the development of hydro-power resources by the Department of Energy, which prescribes the periods and programs for these service contracts, pursuant to R.A. 9513 (Renewable Energy Act of 2008).

The Malogo 2 Hydropower Project was awarded to the Company in February 2014 and is situated in Cadiz City and Victorias City in Negros Occidental. It is situated on the northern slopes of the North Negros Protected Park. Malogo 2 is a run-of-river mini-hydropower scheme of development. The two branches of the Malogo River will each have a weir site, wherein both headrace channels lead to a common powerhouse located in the confluence of the two river branches. Map studies indicate that Malogo 2 has a combined indicative capacity of 5 MW.

The Puntian I Hydropower Project was awarded to the Company in February 2014 and is situated along Puntian River in the municipality of Murcia, Negros Occidental. It is located on the southwestern slopes of the North Negros Protected Park. Puntian I is a run-of-river mini-hydropower scheme of development, wherein a portion of the river water is diverted to a channel leading to a powerhouse located downstream of the diversion structure. Map studies indicate that Puntian I has an indicative capacity of 4 MW.

The Puntian II Hydropower Project was awarded to the Company in February 2014 and is situated along Puntian River in the municipality of Murcia, Negros Occidental. It is located on the southwestern slopes of the North Negros Protected Park. Puntian II is a run-of-river mini-hydropower scheme of development, wherein a portion of the river water is diverted to a channel leading to a powerhouse located downstream of the diversion structure. Map studies indicate that Puntian II has an indicative capacity of 5 MW.

The Talabaan Hydropower Project was awarded to the Company in February 2014 and is situated in Cadiz City, Negros Occidental. It is situated on the northern slopes of the North Negros Protected Park. Talabaan is a run-of-river mini-hydropower scheme of development along the Talabaan River, wherein a portion of the river water is diverted to a channel leading to a powerhouse located downstream of the diversion structure. Map studies indicate that Talabaan has an indicative capacity of 5 MW.

The Company has recently advised the Department of Energy of its intent to withdraw from these service contracts, to enable the Company to focus on its geothermal energy projects, of which GSC No. 8 is already in the drilling operations phase.

Risk Management

In the Oil and Gas, Geothermal and Hydro-Power business, the Company is faced with the following risks, in order of importance:

(a) *Probability of Exploration and Development Success.* Oil and gas exploration and geothermal and hydropower projects are inherently high-risk undertakings. There can be no assurance that the Company's activities will be successful in discovering commercially viable oil and gas reservoirs and/or a viable geothermal resource. Even if an apparently feasible resource is determined, there is no guarantee that it can be economically exploited. Despite the Company's reliance on advanced technology such as 3-D seismic data to improve the probability of success of discovery, oil and gas exploration and geothermal and hydropower operations are speculative businesses. Advanced technology, even with the correct interpretation, only assist geologists in identifying subsurface structures and does not ensure the certainty of the presence of resources if drilled. Moreover, 3-D seismic data and other advanced technology require higher investments that may result in higher losses, should the drilling prove unsuccessful.

Risk of heavy financial losses if prospects would prove unsuccessful could be mitigated through:

Farming-Out of Interest. A Farm-Out Agreement is a contract whereby a third party agrees to acquire from a licensee an interest in a production license and the corresponding operating agreement for a consideration normally comprising of an undertaking to perform a specified work obligation in the drilling of one or more wells. Farming out is usually undertaken by the seller of interest as a source for funding or as part of the rationalization of a licensee's interests. The seller may want to dispose of areas or interests which are peripheral to its main operations or in which it has small equity holdings but would take up as much management time as a larger holding.

Spreading Exploration Risks through Joint Ventures in Several Exploration Blocks. Forming alliances and jointly bidding for the development of a range of opportunities in oil and gas exploration and geothermal projects, mitigates exploration risks of a corporation as there is risk-sharing - the cost and responsibilities of drilling and production are spread over a number of entities. Joint ventures also enable companies to free up funds otherwise tied up in a single drilling project and enable these companies to build a portfolio of projects.

Exploring in Geological Proven Petroleum Areas. The Company has been making investments in these areas and will continue to invest in geologically proven petroleum provinces only.

(b) Operating Hazards of Exploratory Drilling Activities and Environmental Risks. Drilling operations may be delayed, curtailed or subjected to operating and technical difficulties. Unexpected drilling conditions, adverse weather conditions, unanticipated pressure or formations, equipment breakdowns, industrial and environmental accidents and other such events may occur which may have adverse effects on the Company's operations and correspondingly on its financial performance and condition. Oil and gas and geothermal and hydropower exploration, development and drilling activities will be subject to Philippine environmental laws and regulations. Normal exploration and drilling operations involve certain operating hazards such as explosions, craterings, well blowouts, uncontrollable flows of oil, natural gas or well fluids, releases of toxic gas, accidental leakages, formations with abnormal pressures, fires, pollution and other environmental perils and risks, any of which may subject the Company to extensive liability or loss of assets.

Operating risks in the exploration and development drilling and production phases are generally directly driven by standards in design, procurement and installation, operating procedures and contingency planning. The Company, in its investment evaluation process, considers the presence and implementation of the following measures and strategies to mitigate risk exposures: (i) hiring of technically competent staff that are adept in utilizing state-of-the-art technology and could conduct effective evaluation work; and (ii) ensuring adherence to the various environmental laws and regulations, taking into account not only local but international expectations as well.

(c) *Volatility of Oil and Gas Prices and Exchange Rate Risks.* Revenues derived from successful exploration and drilling activities depend on the world price of oil. The price of oil is sensitive to minor changes in the global supply and demand conditions, quality of oil, forward selling activities, domestic and foreign government regulations, environmental trends, overall global economic condition and other macroeconomic and political factors that are beyond the Company's control. Furthermore, revenues from drilling activities are pegged to the US dollar, hence, the Company is exposed to exchange rate risks given the volatility of the rate of exchange between the US dollar and Philippine peso.

(d) Government Regulations and Approvals. Government action such as changes in regulations may affect the Company's business and eventual operating and financial performance. Government may limit access to prospective development areas, implement stricter environmental laws to protect human health and the environment, impose higher taxes and royalties, all of which may adversely affect the Company's financial performance.

For the risks mentioned in items (c) and (d) above, these risks could be mitigated through early identification systems of risk exposures to external threats such as changes in government regulations and changes in the geo-political environment of operating locations. The Company will continue to negotiate oil price agreements with inputs from experts. The Company, as a member of a consortium, adheres to its policy of involving competent technical professionals in the preparation and negotiations of oil price agreements. The Company will also continue to involve competent technical professionals in the preparation and negotiations of power purchase agreements for its geothermal projects.

(3) Employees

The Company has twenty-two (22) officers and employees, of which seven (7) are executive officers, three (3) are technical managers, eight (8) are assigned as accounting, administrative and IT support staff and four (4) are assigned for utility and service staff. The Company expects to hire additional personnel and/or engage the services of consultants in 2016 as may be needed, as additional technical staff for its on-going projects. When the Company will pursue additional renewable energy projects, project managers and engineering, technical and other support personnel may be required for its projects.

(B) Description of Properties

The Company owns one floor (7^{th} Floor) of the Basic Petroleum Building located at 104 C. Palanca, Jr. St., Legaspi Village, Makati City, consisting of 461 square meters, which the Company uses as its office premises.

The Company and its subsidiaries own several parcels of land located in Bolinao, Pangasinan, containing an aggregate area of 415,895.80 square meters. The property is located approximately 4.3 kilometers southwest from the Bolinao-Bani Provincial Road and is best suited for agro-industrial land development.

The Company, through a subsidiary, also owns a major interest (58%) in a real estate property (land) located at Barangay Bolasi, San Fabian, Pangasinan with an aggregate area of 178,634 square meters, beside the San Fabian PTA Beach Resort managed by the Philippine Tourism Authority. The beachfront is suitable for beach resort development while a portion of it is suitable for a residential development.

The Company also owns parcels of land located at Tanay, Rizal with a total area of 35,000 square meters, near the town proper with good roads and is suitable for residential housing development or for an agricultural farm project.

The Company, through another subsidiary, owns a parcel of land located at Gutalac, Zamboanga del Norte with an area of approximately 22 hectares, suitable for agricultural farm development.

For 2016, the Company or its subsidiaries do not have any plan to own additional lands for its various projects.

(C) Legal Proceedings

1. On April 3, 2006, the Company entered into a Sale and Purchase Agreement (SPA) covering the sale of the entire interest in its wholly owned subsidiary, Basic Petroleum & Minerals, Inc. (BPMI) to Forum Energy PLC (FEP), for a total consideration of US$ 17,000,000.00. Of this amount, US$ 5,000,000 was in cash and FEP shares and US$12,000,000 was payable upon FEP's utilization of the historical

cost recoveries of BPMI and upon oil production by FEP in excess of 5,420,000 barrels. By April, 2007, the Company received full payment and delivery of the first tranche of US$ 5,000,000.00. The amount of US$ 10,000,000.00 was due upon FEP's utilization of the historical cost recovery accounts of BPMI and the amount of US$2,000,000 was due, in staggered basis, upon production of 5,240,000 barrels of oil in the service contracts that are part of the sale of BPMI. In 2008, the Company declared FEP in default and the receivables of the Company from FEP were the subject of arbitration proceedings between the Company and FEP. On June 14, 2012, the Ad-Hoc Arbitration Tribunal rendered its decision in favor of the Company and awarded payment by Forum of the balance of the share of the Company in the historical cost recoveries received by Forum on the oil assets sold to Forum under the SPA. Subsequently, the parties entered into a Compromise Agreement covering settlement of the aforementioned award by the Ad-Hoc Arbitration Tribunal in favor of the Company and other claims under the SPA. Under the agreement, Forum will pay the Company an aggregate amount of USD 4.4 Million. As of December 31, 2013, FEP had settled all its obligations to the Company.

2. The San Fabian property which is registered in the name of Pan-Phil Aqua Culture Company and which the Company has a majority interest, was the subject of an administrative case filed by Pan-Phil Aqua Culture Company (Pan-Phil) against a certain Warlito Pedral with the Land Management Bureau of the Department of Environment and Natural Resources (DENR), Regional Office No. 1, San Fernando, La Union. The case is docketed as Claim Case No. 01-Pang-101 for the denial of the application for titling of a parcel land being claimed by said Warlito Pedral, as it falls within 20 meters legal easement or salvage zone of the foreshore area fronting the subject property. The Regional Office-DENR, La Union rendered a decision in favor of Pan-Phil, declaring the contested area as a salvage zone and giving Pan-Phil the preference to file for a lease application over the contested area. The decision was appealed with the Office of the Secretary of Department of Environment and Natural Resources (DENR), which appeal was dismissed in an Order dated November 10, 2010, affirming the Resolution of the Regional Executive Director dated August 3, 2010. On February 18, 2011, Mr. Pedral filed a Motion for Reconsideration of the Order dismissing the appeal, which was likewise denied and in July 2011, the DENR Secretary issued an Order dismissing the Motion for Reconsideration and affirming the Decision of the Regional Executive Director. Proceedings have already been initiated for the execution of the DENR decision in favor of Pan Phil.

Except for the above proceedings, the Company or its subsidiaries and affiliates are not involved in any pending legal proceeding relative to the other properties or property interests of the Company.

Management's Discussions and Analysis and Plan of Operation for 2016

Oil and Gas Operations

For 2016, the Company will continue with its business in oil and gas exploration, being a party, together with other oil exploration companies, to a service contract for the exploration, development and exploitation of certain areas situated in offshore Mindoro (Service Contract 53).

For Service Contract 53, the consortium has agreed to drill Progreso-2 to fulfil one of the 2 well obligations under the Sub-Phase 2 program. While preparations are on-going for the drilling works, the term for this phase is deemed suspended and will start upon resolution of pending issues with the NCIP and the Famatodi, Inc., the association of indigenous peoples in the project area. The Company has a 3% participation in this service contract.

As to the management and operation of oil wells in Indonesia, which is being undertaken by PT Basic Energi Solusi (PT BES), the company registered in Indonesia, as the operating arm of Grandway Group Limited, the joint venture between the Company and Petrosolve Bhd Sdn, PT BES acquired the rights to manage ten (10) wells in the Dadangilo and Wonocolo areas, with the objective of rehabilitating these wells for possible limited oil production. As of December 31, 2014, five (5) wells have been drilled. In the first half of 2015, however, PT Pertamina, which holds the service contract in these areas from the government of Indonesia, terminated the oil production agreements with the local miners' organizations, and designated a temporary organization of local miners to manage the oil fields in said areas. With the decrease in world oil prices, PT Pertamina decreased its buying price for oil from these oil fields. PT BES then suspended drilling and oil production operations, pending the finalization by PT Pertamina of the organizational structure of local miners who will handle the management and production of oil from these oil fields and with whom PT BES will enter into new co-operation agreements.

The Company's cash requirements for the operations of its oil and gas business in the Philippines, for the whole year of 2016 is budgeted at a total of Php18.3 Million, which will be adequately funded by its cash and short-term investments. There will be a need for the Company to raise additional funds and increase manpower should there be new developments to pursue the above projects in 2016.

Geothermal Energy Operations

The Company is committed to drill an exploratory well in the Mabini, Batangas Geothermal Service Contract (GSC No. 8) by July, 2016. All the required permits, leases and licenses for the drilling of the exploratory well have been obtained and the Department of Energy had approved the Company's notice of intent to drill in GSC No. 8. Drill site preparations are on-going and the drilling contractor had been engaged. Negotiations for the other service providers, suppliers and contractors are on-going.

The Company will continue discussions with other companies interested in the exploration and development of geothermal resources for the formation of a consortium to jointly undertake exploration and development activities for the geothermal areas awarded to the Company.

The Company's cash requirements for the operations of its geothermal energy exploration business for the whole year of 2016 is budgeted at about Php200 Million, which will be adequately funded by its cash and short-term investments. There may be a need for the Company to raise additional funds to further develop its other geothermal energy projects. There are plans to increase its present manpower staff or engage the services of consultants when needed for the technical requirements and acquire additional computer equipment for these projects.

Hydro-Power Energy Operations

The Company has advised the Department of Energy of its intentions to withdraw and return the service contracts for the exploration and development of hydro-power resources awarded to the Company. This will enable the Company to focus on the drilling operations for GSC No. 8 for 2016.

Solar Power Operations

The Company continues to look for business opportunities for the development of solar power resources in properties owned by the Company and other properties which may be identified in the future.

The Company's cash requirements for the business development of a solar power project, among others, is budgeted at about Php 5.3 million, which will be adequately funded by its cash and short-term investments. There may be a need for the Company to raise additional funds for solar projects which may be awarded to the Company in 2016. There are plans to increase its present manpower staff or engage the services of consultants when needed for the technical requirements and acquire additional computer equipment for these projects.

Management's Discussion and Analysis of Financial Condition and Results of Operations for 2015

(a) Full Fiscal Years (Three Years)

2015

For 2015, total assets of the Company stood at Php 827.238 million, a decrease of Php 35.954 million compared to the balance of Php 863.192 million in 2014. Current assets, totaling Php 207.671 million in 2015, increased by Php 154.588 million from the balance in 2014 of Php 53.083 million. This was primarily due to the increase in cash and cash equivalents resulting from the sale of long-term available for sale securities (AFS). Non-current assets, totaling Php 619.567 million decreased by Php 190.542 million from the balance in 2014 of Php 810.109 million. This was due to the sale of long-term AFS securities as previously mentioned which were re-invested in short-term money market placements.

Total liabilities closed at Php 20.352 million, a decrease of Php 5.868 million from the balance of Php 26.220 million in 2014. This was mainly due to the payment of certain payables and accrued expenses which was partly offset by additional accruals for retirement benefits and accruals for income taxes payable.

Total equity levelled at Php 806.887 million, a decrease of Php 30.086 million from the balance of Php 836.973 million in 2014. The decrease was primarily due to the decrease in unrealized gain on changes in fair value of AFS financial assets resulting from the sale of AFS securities amounting to Php 30.651 million. This was partly offset by the increase in capital stock due to additional subscriptions of Php 0.156 million and increase in retained earnings of Php 7.270 million due to the income attributable to equity holders of the parent company of Php 5.445 million.

For 2015, total revenues generated amounted to Php 50.465 million, an increase of Php 16.356 million from the revenues generated in 2014 of Php 34.109 million. Revenues in 2015 were mostly from the gain on sale of AFS securities amounting to Php 45 million. Other sources of revenue were from dividends and interest income on cash and placements totaling Php 11.617 million which were partly reduced by other charges of Php 6.153 million.

Costs and expenses were all in general and administrative expenses amounting to Php 48.480 million, down by Php Php 0.857 million compared to the balance of Php 49.337 million in 2014.

For the year 2015, the Company recorded a consolidated operating loss of Php 1.188 million . This was a net result of an operating income of Php 5.445 million attributable to the equity holders of the parent company, and an operating loss of Php 6.633 million attributable to non-controlling interest. Because of the realization of unrealized gains/loss in changes in fair value of the related AFS securities sold during the year amounting to Php 30.65 million, the company recorded a total comprehensive loss of Php 30.333 million

2014

For 2014, total assets of the Company stood at Php 863.192 million, an increase of Php 8.729 million compared to the balance of Php 854.463 million in 2013. Current assets, mostly in cash and cash equivalents decreased by Php 32.167 million in 2014 compared to 2013 as these were invested in various projects of the Company as accounted for in the increase in non-current assets of Php 40.897 million in 2014. Major variances in non-current assets were increases in project development costs of Php 112.693 million and in deferred charges of Php 8.374 million. These accounts booked the various project costs of the Company funds invested for which came from the decreases in available for sale financial assets of Php 87.126 million and in cash and cash equivalents of Php 33.399 million. In 2014, the Company recognized deferred income tax assets amounting to Php 6.846 million as compared to deferred income tax liability in 2013 of Php 6.167 million.

Total liabilities closed at Php 26.220 million in 2014 compared to Php 16.722 million in 2013, an increase of Php 9.498 million. The increase was mainly due to increases in accrued expenses for retirement benefits and other payables for the various projects of the Company.

Total Equity stood at Php 836.973 million in 2014 recording a net decrease of Php 0.768 million from the balance in 2013 of Php 837.741 million. Increases in equity accounts were recorded in capital stock amounting to Php 7.932 million in 2014 due to the issuance of capital stock from the exercise of the stock option plan. Fair value of available for sale securities also increased by Php 2.813 million in 2014. These increases however were offset by the operating loss for the year of Php 6.631 million, cumulative translation adjustment of Php 2.824 million and remeasurement loss on accrued retirement benefits of Php 2.305 million.

For 2014, total revenues generated amounted to Php 36.753 million or an increase of Php 6.212 million from the balance of Php 30.541 million in 2013. The increase was mainly due to a gain booked on the sale of available for sale financial assets and fair value adjustments on investment properties which were partly offset by decreases in interest income and foreign exchange gain.

Costs and expenses for 2014 amounted to Php 51.980 million an increase of Php 1.449 million compared to Php 50.531 million booked in 2013. While general and administrative expenses in 2014 decreased by Php 1.194 million, the year booked foreign exchange losses of Php 2.643 million.

For the year 2014, the Company recorded an operating loss of Php 6.632 million and total comprehensive loss of Php 8.700 million, lower when compared to the operating loss of Php 27.146 million and total comprehensive loss of Php 10.466 million for the year 2013.

2013

For 2013, total assets of the Company stood at Php 854.463 million, an increase of Php 8.320 million compared to the restated balance in 2012 of Php 846.143 million (Please see Note below). Current assets totaling Php 85.251 million in 2013 were mainly in cash and cash equivalents amounting to Php 80.543 million. Currents assets decreased by Php 172.277 million due to additional investments in higher yielding and longer term securities and also because of additional expenditures for various projects. The decrease in current assets however was offset by the increase in non-current assets amounting to Php 180.597 million as accounted for mainly by the increases in available for sale (AFS) securities amounting to Php 145.557 million and deferred charges amounting to Php 40.350 million.

Total liabilities closed at Php 16.722 million in 2013 increasing by Php 4.143 million from the balance in 2012 of Php 12.579 million mainly because of the increase in deferred income tax liabilities due to unrealized foreign exchange gain in AFS and fair value adjustments of investment properties.

Total Equity stood at Php 837.741 million in 2013 and recorded a net increase of Php 4.176 million from the balance in 2012 of Php 833.565 million. The net increase was mainly due to the issuance of capital stock amounting to Php 14.643 million from the exercise of the stock option plan, fair value adjustments in AFS investments of Php 15.295 million and the result of the current year operations of Php 27.146 million loss and actuarial gains on retirement of Php 0.951 million.

For 2013, total revenues amounted to Php 30.541 million mostly in interest and dividends totaling Php 21.501 million and foreign exchange gain of Php 6.883 million. Total revenues in 2013 decreased by Php 288.093 million from the balance in 2012 of Php 318.634 million mainly because in 2012, the Company booked income from historical cost recoveries due to a previous sale of a subsidiary amounting to Php 224.956 million, and fair value adjustments of investment properties were Php 73.393 million in 2012 compared to Php 2.155 million in 2013. These decreases in revenue were partly offset however by a foreign exchange gain booked in 2013 amounting to Php 6.883 million.

Cost and expenses in 2013 totaled Php 50.531 million all in general and administrative expenses. Compared to 2012, total cost and expenses were less by

Php 7.260 million because in 2012, the Company booked provisions for impairment on AFS investments amounting to Php 3.188 million and foreign exchange losses of Php 5.219 million.

For the year 2013, the Company recorded a total comprehensive loss of Php 10.466 million as compared to a total comprehensive income in 2012 of Php 271.034 million.

Note: For the 2013 audited financial statements, the 2012 balances were restated due to the effect of adoption of the revised PAS 19, Employee Benefits. Accounts affected were retirement benefits liability and deferred income tax asset. These restatements were also disclosed in the corresponding audited financial statements.

(b) Interim Period- First Quarter, 2016 (Unaudited as of March 31, 2016)

For the quarter ending March 31, 2016, total assets stood at Php 817.889 million, total liabilities at Php 22.596 million and stockholders' equity at Php 807.062 million, with minority interest comprising Php 11.769 million.

Total revenues as of March 31, 2016 was recorded at Php 4.759 million, while total costs and expenses amounted to 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 after minority interest of Php 9.969 million. Total revenue for the period was from interests and dividends from placements and investments amounting to Php 2.266 million and foreign exchange gain of Php 2.493 million. Costs and expenses were mostly in general administrative expenses amounting to Php 12.723 million.

(c) Key Performance Indicators

The following table shows the top Key Performance indicators for the past three (3) years:

Key Performance Indicators	**Year 2015**	**Year 2014**	**Year 2013**
Return on Investment (ROI)			
(Net Income / Ave. Stockholders' Equity)	-0.14%	-0.79%	-3.25%
Net Profit Margin			
(Net Income / Net Revenue)	-2.35%	-19.44%	-88.88%
Investment in Projects (Non-Petroleum)			
(As a % of Total Assets)	24.59%	23.57%	23.48%
Investment in Wells and Other Facilities			
(As a % of Total Assets)	27.02%	23.93%	10.01%

Current Ratio			
(Current Assets / Current Liabilities)	31.19:1	3.71:1	50.19:1
Asset Turnover			
(Net Revenue / Average Total Assets)	5.97%	3.97%	3.59%
Solvency Ratios:			
Debt to Equity Ratio	2.52%	3.13%	2.00%
Asset to Equity Ratio	102.52%	103.13%	102.00%
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 Total 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 -0.14% in 2015, -0.79% in 2014 and -3.25% in 2013. All three years showed negative rates because the Company booked losses for these years.

Profit Margin was -2.35% in 2015, -19.44% in 2014 and -88.88% in 2013. All three years showed negative rates because the Company booked net losses for these years as mentioned in the previous paragraph.

Investment in Non-Petroleum Projects as a % of Total Assets was 24.59% in 2015, 23.57% in 2014 and 23.48% in 2013. The increase in ratio from 2013 to 2014 was due to the increase in both investment and total assets in 2014 as compared to 2013, while the increase from 2014 to 2015 was due to the decrease in total assets in 2015 as compared to 2014.

Investment in Wells and Other Facilities as a % of Total Assets was 27.02% in 2015, 23.93% in 2014 and 10.01% in 2013. The increase in ratio from 2013 to 204 was due to increases both in investments and total assets in 2014 as compared to 2013, while the increase in ratio from 2014 to 2015 was due to the increase in investments but a decrease in total assets in 2015 as compared to 2014.

Current ratio was 31.19 in 2015, 3.71:1 in 2014 and 50.19 in 2013. The decrease in ratio from 2013 to 2014 was due to the decrease in current assets and increase in current liabilities in 2014 as compared to 2013. while the increase in ratio from 2014 to 2015 was due to the increase in current assets and decrease in current liabilities in 2015 as compared to 2014.

Asset Turnover was 5.97% in 2015, 3.97% in 2014 and 3.59% in 2013. The increase in ratio from 2013 to 2014 was due to the increase in both revenue and average total assets in 2014 as compared to 2013, while the increase in ratio from 2014 to 2015 was due to the increase in revenue but a decrease in average total assets in 2015 as compared to 2014.

Debt to Equity Ratio was 2.52% in 2015, 3.13% in 2014 and 2.00% in 2013. The increase in ratio from 2013 to 2014 was due to the increase in liabilities and a decrease in equity in 2014 as compared to 2013, while the decrease in ratio from 2014 to 2015 was due to the decreases in both liabilities and equity in 2015 as compared to 2014.

Asset to Equity Ratio was 102.52% in 2015, 103.13% in 2014 and 102.00% in 2013. The increase in ratio from 2013 to 2014 was due to the increase in total assets but a decrease in equity in 2014 as compared to 2013, while the decrease in ratio from 2014 to 2015 was due to the decreases both in total assets and equity in 2015 as compared to 2014.

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

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

Since December 31, 2014, 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.

(d) Comparative Analysis

First Quarter of 2016 (Interim Unaudited) vs. Fiscal Year 2015 Results of Operations

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 1st 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 1st 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 1st 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.

First Quarter, 2016 (Interim Unaudited) vs. First Quarter, 2015 Results of Operations

The Company recorded total revenues of Php 4.759 million for the 1st quarter ending March 2016 down by Php 43.279 million from the balance as of the same quarter in 2015 of Php 48.038 million. The significant decrease in revenues during the 1st quarter of 2016 as compared to the same quarter in 2015 was because the 1st quarter of 2015 recorded a gain on the sale of long-term securities amounting to Php 45.350 million while in the 1st quarter of 2016 revenues were only from interests and dividends from placements and investments and foreign exchange gains.

Costs and expenses for the 1st quarter of 2015 totaled Php 12.728 million, a decrease of Php 7.203 million from the balance of Php 19.931 million for the same quarter of 2015. The decrease was mainly due to the foreign exchange losses booked in the 1st quarter of 2015 amounting to Php 7.228 million.

For the 1st quarter of 2016, the Company booked a net loss on a consolidated basis after minority interest of Php 9.969 million as compared to the net income booked during the 1st quarter of 2015 amounting to Php 31.307 million.

Total Assets as of March 31, 2016 stood at Php 817.889 million a decrease of Php 38.223 million from Php 856.112 million as of March 31, 2015. The decrease was mainly due to decreases in cash and cash equivalents of Php 39.706 million and decreases in available for sale (AFS) financial assets of Php 21.011 million. These decreases were partly offset by increases in deferred charges for the cash requirements of existing projects of the company totaling Php 23.900 million and increases in other current assets of Php 1.889 million.

Total Liabilities closed at Php 22.596 million as of March 31, 2016, a slight decrease of Php 0.053 million from PhP 22.649 million as of March 31, 2015.

Total Stockholders' Equity as of March 31, 2016 stood at Php 807.062 million, a decrease of Php 36.828 million from Php 843.890 million as of March 31, 2015. The decrease was mainly due to the decreases in retained earnings of Php 34.005 million, revaluation increment in office condominium of Php 1.825 million and cumulative translation adjustment of Php 1.629 million.

2015 vs. 2014 Results of Operations

For the year ended December 31, 2015, the Company recorded total revenues of Php 50.466 million an increase of Php 16.356 million compared to the revenues booked as of the year ended December 31, 2014 of Php 34.110 million. The increase was mainly due to the increase in the gain on sale of available for sale financial assets of Php 33.172 million partly offset by the decreases in interest income of Php 11.296 million and other income of Php 6.359 million.

Costs and expenses for the year ended December 31, 2015 totaled Php 48.480 million a decrease of Php 0.857 million compared to the balance as of the year ended December 31, 2014 of Php 49.337 million.

The Company booked a net operating loss on a consolidated basis of Php 1.188 million and total comprehensive loss of Php 30.333 million for the year ended December 31, 2015 as compared to a net operating loss of Php 6.632 million and total comprehensive loss of Php 8.700 million for the year ended December 31, 2014.

2014 vs. 2013 Results of Operations

For the year ended December 31, 2014 the Company booked total revenues of Php 36.753 million, an increase of Php 6.212 million compared to the revenues booked for the year ended December 31, 2013 of Php 30.541 million. The increase was mainly due to the gain on sale of available for sale financial assets booked in 2014 of Php 11.830 million and the increase in dividend income of Php 2.145 million. These increases were partly offset by decreases in foreign exchange gain of Php 6.883 million and interest income of Php 1.572 million.

Costs and expenses for the year ended December 31, 2014 amounted to Php 51.980 million, an increase of Php 1.449 million from costs and expenses for the year ended December 31, 2013 amounting to Php 50.531 million. The increase was due to the increase in foreign exchange losses of Php 2.643 million which was partly offset by the decrease in general and administrative expenses of Php 1.194 million.

The Company booked a net operating loss on a consolidated basis of Php 6.632 million and total comprehensive loss of Php 8.700 million for the year ended December 31, 2014 as compared to a net operating loss of Php 27.146 million and total comprehensive loss of Php 10.466 million for the year ended December 31, 2013.

<u>2013 vs. 2012 Results of Operations</u>

For the year ended December 31, 2013, the Company posted revenues of Php 30.540 million compared to the restated balance of Php 318.634 million recorded as of December 31, 2012, a decrease of Php 288.093 million. (Please see note below). In 2012 the Company booked an income of Php 224.956 million from historical recoveries resulting from a previous sale of a subsidiary. This accounted for the significant increase in revenues for the year 2012 and explained the decrease in revenue for the year 2013 compared to 2012. In 2013, revenues were mostly from interests from cash and placements amounting to Php 18.50 million.

Costs and expenses for the year ended December 31, 2013 totaled Php 50.531 million which decreased by Php 7.260 million compared to the year 2012 of Php 57.791 million. In 2013 costs and expenses were all in general and administrative expenses, while for the year ended December 31, 2012, in addition to general and administrative expenses, also recorded were foreign exchange losses of Php 5.219 million and provisions for impairment on financial assets of Php 3.188 million.

The Company booked a net comprehensive loss on a consolidated basis for the year ended December 31, 2013 amounting to Php 10.466 million as compared to the net comprehensive income of Php 271.033 million booked for the year ending December 31, 2012. As previously mentioned, 2013's revenues were mostly from interests from cash and placements while 2012 booked a significant income from a previous sale of a subsidiary.

Note: The 2012 balances were restated due to the effect of adoption of the revised PAS 19, Employee Benefits. Accounts affected were retirement benefits liability and deferred income tax asset. These restatements were also disclosed in the audited financial statements as of and for the year ended 2013.

(e) Changes in and disagreements with accountants on accounting and financial disclosures

There were no disagreements with the Company's external auditors on any accounting and financial disclosures in the 2015 audited financial statements of the Company.

The accounting policies adopted are consistent with those of the previous financial reporting year, except for the following revised and amended PFRS, PAS and Philippine

Interpretations, based on the International Financial Reporting Committee Interpretations, which the Company adopted as of January 1, 2015. The adoption of these changes are either not relevant to or have no significant impact on the consolidated financial statements, namely:

i. PAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)
ii. Annual Improvements to PFRSs (2010-2012 cycle)
iii. Annual Improvements to PFRSs (2011-2013 cycle)

The above changes were disclosed in the Consolidated Audited Financial Statements of the Company as of December 31, 2015.

PART II. SECURITIES OF THE COMPANY

(A) Market Price and Dividends Information

(1) Market Information

The shares of stock of the Company are traded in the Philippine Stock Exchange. The Company's high and low closing prices for each quarter of years 2014 and 2015, and the first three (3) months/quarter of 2016, are as follows:

	HIGH			LOW		
	2014	2015	2016	2014	2015	2016
1st Quarter	Php0.25	Php0.27	Php0.22	Php0.24	Php0.26	Php0.20
2nd Quarter	0.27	0.25		0.26	0.24	
3rd Quarter	0.29	0.21		0.28	0.20	
4th Quarter	0.30	0.21		0.27	0.20	

The last trading price of shares of the Corporation at close of trading as of March 31, 2016 was Php0.24 per share. Further, the high and low sales prices of shares of the Corporation, as of March 31, 2016 were Php0.24 and Php0.23 per share, respectively.

HOLDERS

Top 20 Stockholders as of March 31, 2016:

NAME	OUTSTANDING SHARES	PERCENTAGE
PCD Nominee Corporation (Filipino)	2,112,697,140	82.52%
PCD Nominee Corporation (Foreign)	69,708,529	2.72%
BA Securities, Inc. FAO N0.06-324	34,250,000	1.34%
Christodel Phils, Inc.	25,736,744	1.02%
Isidoro O. Tan	24,822,276	0.98%
Phases Realtors, Inc.	20,989,439	0.83%
Northwest Traders Corporation	20,745,757	0.81%
Jose C. De Venecia, Jr.	10,013,225	0.40%

Samuel Uy	10,000,000	0.40%
Northwest Investors, Inc.	8,708,890	0.34%
Mark Anthony L. De Venecia	8,363,333	0.33%
JLV Holdings, Inc.	7,200,000	0.28%
MDV Holdings, Inc	5,070,000	0.20%
Kho Giok En	4,550,000	0.18%
Horacio Rodriquez	4,408,523	0.17%
Northwest Securities,Inc.	3,998,109	0.16%
Christine Chua	3,149,221	0.12%
East West Commodities, Inc.	3,019,498	0.12%
Vicky Chua	2,500,000	0.09%
Archivald Po	2,500,000	0.09%

The Company is in compliance with the minimum public ownership requirement prescribed under existing regulations of the Securities and Exchange Commission and the Philippine Stock Exchange. The Company's level of public float as of March 31, 2016 is 88.42% of total issued and outstanding shares.

3) DIVIDENDS

a) No cash/stock dividends have been declared in 2015 and 2014.
b) There are no restrictions that limit the payment of dividend on common shares

4) RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

Recent sales of shares of the Company consist of the subscription and issuance of shares under the Company's Stock Option Plan (SOP), which are covered by a Certificate of Exemption from the registration requirements of the Securities Regulation Code (SRC) issued by the Securities and Exchange Commission on September 8, 2011. The exemption was pursuant to Section 10.2 of the SRC, in view of the fact that the issuance of said SOP shares is limited in character in that the right/option to purchase the shares of stock are limited to the 33 directors, members of the Advisory Board, officers and employees of the Company.

As at the expiry of the SOP option on July 11, 2013, a total of 500,000,000 common shares of the Company were subscribed for cash and at the price of Php0.25 per share, which is the par value of the said shares. There were no underwriting discounts or commissions given or paid by the Company.

A total of seventeen (17) directors, members of the Advisory Board, officers and employees of the Company, exercised option rights under the Company's SOP, to wit:

Subscribers	**Shares Subscribed**	**Date of Subscription**
Directors		
Oscar C. De Venecia	30,000,000	4.27.12
	22,000,000	7.03.13
Francis C. Chua	30,000,000	4.27.12
	22,000,000	7.03.13

Ramon L. Mapa	30,000,000	4.27.12
Oscar L. De Venecia, Jr.	28,500,000	4.27.12
	22,000,000	7.03.13
Jaime J. Martirez	30,000,000	4.26.12
	30,100,000	7.03.13
Ma. Florina M. Chan	30,000,000	4.26.12
	22,000,000	7.03.13
Eduardo V. Manalac	30,000,000	4.27.12
Gabriel R. Singson, Jr.	30,000,000	4.27.12
Isidoro O. Tan	30,000,000	4.26.12
	22,000,000	7.03.13
Oscar S. Reyes	30,000,000	9.26.12
	22,000,000	7.03.13
Dennis D. Decena	4,000,000	4.26.12
Advisory Board		
Jose C. De Venecia, Jr.	5,000,000	4.26.12
	12,000,000	7.03.13
Leonardo R. Arguelles, Jr.	8,100,000	7.03.13
Officers		
Emelinda I. Dizon	10,000,000	7.03.13
Corazon M. Bejasa	100,000	9.26.12
Alberto P. Morillo	100,000	9.26.12
Marietta V. Villafuerte	100,000	9.26.12
Total	**500,000,000**	

CORPORATE GOVERNANCE

Corporate Governance Manual

The Company has adopted its Corporate Governance Manual, and was amended by the Board on February 28, 2011 and on March 26, 2015. The manual includes provisions for the following:

- Compliance System
- Duties and responsibilities of the Board and the Board Committees including qualifications of directors and independent directors
- Plan for Compliance of:
  - Board of Directors
  - Board Committees
  - Corporate Secretary
  - External Auditor
  - Internal Auditor
- Communication Process
- Training Process
- Reportorial and Disclosure System
- Monitoring and Assessment of Compliance

Corporate Governance Committee

The Committee is responsible for maintaining and ensuring good governance of the Company, and shall guide the Board of Directors in the exercise of its authority, ensuring compliance with all relevant laws, regulations and following to the extent possible, best business practices on corporate governance.

The Committee is composed of the following:

Eduardo V. Manalac	-	Chairman
Francis C. Chua	-	Vice Chairman
Ma. Florina M. Chan	-	Member
Jaime J. Martirez	-	Member
Reynaldo T. Casas (Independent Director)	-	Member

Evaluation System for Compliance with Leading Practices on Corporate Governance

The Company has adopted a Corporate Governance Self Rating Form to evaluate the level of compliance of the Company with its Manual on Corporate Governance. In addition, the Compliance Officer reviews on a periodic basis the level of compliance of its directors, officers and employees with leading practices contemplated in the Company's Manual.

For 2015, the directors and officers of the Company have attended the seminars on Corporate Governance, in compliance with SEC Memorandum Circular No. 20, series of 2013.

The Board of Directors organized the Corporate Governance Committee to monitor and ensure compliance by the Board and Management of its Manual on Corporate Governance and applicable best corporate governance practices. To date, the Company has substantially complied with the provisions of its Manual on Corporate Governance.

In addition to the Corporate Governance Committee, the Board of Directors established other Board and Management Committees, namely: the Audit Committee, Nominating Committee, Compensation and Remuneration Committee, and the Finance and Investments Committee.

The Company's reportorial and disclosure system has been likewise enhanced to promote close coordination between the Board of Directors and the officers in charge of legal and regulatory compliance, and to ensure transparency of transactions and timely and accurate disclosures to stockholders.

Annual Corporate Governance Report

The Company has submitted its 2015 Annual Corporate Governance Report to the SEC, pursuant to SEC Memorandum Circular No. 5, series of 2013. This report is posted in the Company's website as required under SEC Memorandum Circular No. 18, series of 2013.

Internal Control

The Board of Directors is responsible for the Company's system of internal financial control. This system is designed to promote reasonable assurance against any material misstatement, risks or loss. It aims to ensure that the assets of the Company are safeguarded, proper accounting records are maintained and that the financial information used within the business and for publication is reliable.

On February 27, 2013, the Board of Directors, upon endorsement of the Audit Committee, approved the Internal Audit Manual of the Company, setting the internal audit policies, internal control systems and procedures and reporting of internal audit results to the Audit Committee and to the Board of Directors. Discussions are on-going for the outsourcing of the internal audit requirements for 2016.

Anti-Money Laundering Manual

The Board of Directors of the Company has adopted its Anti-Money Laundering Manual and submitted the same to the Securities and Exchange Commission on October 14, 2012. The Company is in compliance with the provisions of its Anti-Money Laundering Manual.

April 20, 2016, Makati City.

OSCAR L. DE VENECIA, JR.
President & CEO

BASIC ENERGY
CORPORATION

NOTICE OF ANNUAL STOCKHOLDERS MEETING

Notice is hereby given that the regular Annual Meeting of Stockholders of **BASIC ENERGY CORPORATION** will be held at the **MANILA GOLF AND COUNTRY CLUB, Harvard Road, Forbes Park, Makati City, on Wednesday, June 29, 2016 at 3:00 p.m.**, with the following agenda:

A G E N D A

1. Call to Order
2. Certification of Due Notice of Meeting and Existence of Quorum
3. Approval of Minutes of the Annual Stockholders Meeting Held on June 30, 2015
4. Presentation of the 2015 Annual Report
5. Ratification of All Acts of the Board and Management
6. Election of Directors
7. Appointment of External Auditors
8. Other Matters
9. Adjournment

Only stockholders of record at the close of business on June 8, 2016 are entitled to notice of, and to vote at, this meeting. For this purpose, the Stock and Transfer Books of the Corporation will be closed from June 8 to June 29, 2016.

In case you cannot attend in person, please accomplish the attached Proxy Form and deliver at the office of the Corporate Secretary at the principal office of the Corporation, on or before June 17, 2016. Validation of proxies will be conducted on June 24, 2016 at 3:00 p.m. at the principal office of the Corporation.

Minutes of the 2015 Annual Stockholders Meeting are available for your perusal at the principal office of the Corporation during business hours.

We look forward to your attendance at the Annual Stockholders Meeting.

Makati City, April 20, 2016.

CORAZON M. BEJASA
Corporate Secretary

PROXY FORM
ANNUAL STOCKHOLDERS' MEETING
June 29, 2016 – 3:00 P.M.
MANILA GOLF AND COUNTRY CLUB
Harvard Road, Forbes Park, Makati City

The undersigned stockholder of **BASIC ENERGY CORPORATION** (the "Corporation"), hereby appoints, names and constitutes ________________ or, in his absence, the Chairman of the Board of the Corporation, as proxy to represent and vote all shares registered in the name of the undersigned stockholder at the Annual Meeting of the stockholders of Corporation scheduled on June 29, 2016 at 3:00 P.M. and any postponements or adjournment(s) thereof, and hereby ratifying and confirming any and all action taken by said proxy on matters which may properly come before such meeting or its postponements or adjournment(s) thereof. In particular, the undersigned hereby directs the proxy to vote the shares on the following agenda items in the manner indicated below, or if not so indicated, the proxy shall exercise full discretion in acting thereon.

AGENDA ITEMS		**ACTION**			
		Approve	**Disapprove**	**Abstain**	
1.	Approval of the Minutes of the June 30, 2015 Meeting				
2.	Notation of the 2015 Annual Report				
3.	Ratification of all acts of the Board and Management for 2015-2016				
4.	Election of Directors				**Authority to Vote Withheld**
	Oscar C. De Venecia				
	Francis C. Chua				
	Ramon L. Mapa				
	Oscar L. De Venecia, Jr				
	Reynaldo T. Casas				
	Ma. Florina M. Chan				
	Jaime J. Martirez				
	Isidoro O. Tan				
	Harvey L. N. Dychiao (Independent Director)				
	Eduardo V. Manalac (Independent Director)				
	Oscar S. Reyes (Independent Director)				
5.	Appointment of SGV & Co. as External Auditor				

The above-named nominees were screened and pre-qualified in accordance with the Corporation's Code of Corporate Governance and SEC Circular No. 16, Series of 2002.

Signed this ________ , 2016 at ______________________.

Stockholder: ______________________
Signature over Printed Name

NOTES:

(a) All proxies for the meeting should be received by the Corporate Secretary **on or before June 17, 2016**.
(b) The proxy for a stockholder which is a corporation or a partnership should be executed by a duly authorized officer of the corporation or partnership and must be accompanied by a Corporate Secretary's Certificate quoting the Board or Partners' resolution or extracts thereof authorizing the said corporate officer to execute said proxy.

(THIS PROXY IS BEING SOLICITED ON BEHALF OF BASIC ENERGY CORPORATION)

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Basic Energy Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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Building a better working world

Opinion

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

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-3 (Group A),
March 21, 2013, valid until April 30, 2016
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2015,
March 24, 2015, valid until March 23, 2018
PTR No. 5321628, January 4, 2016, Makati City

March 30, 2016

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

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

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 13)	Additional Paid-in Capital (Note 13)	Deposit for Future Stock Subscription (Note 13)	Revaluation Increment in Office Condominium (Note 11)	Net unrealized gain (loss) on changes in fair value of AFS Financial Assets (Note 8) Equity	Debt	Remeasurement Loss on Accrued Retirement benefits	Retained Earnings (Deficit)	Cumulative Translation Adjustment	Total	Non-controlling Interest (NCI)	Treasury Stock	Total Equity
Balances at December 31, 2012	₱610,623,378	₱32,699,360	₱6,675,000	₱17,059,457	(₱870,909)	₱18,940,294	(₱3,370,337)	₱155,048,133	–	₱836,804,376	₱141	(₱3,240,000)	₱833,564,517
Net loss	–	–	–	–	–	–	–	(22,723,865)		(22,723,865)	(4,421,800)	–	(27,145,665)
Other comprehensive loss, net of tax	–	–	–	–	(1,803,799)	17,098,674	665,760	–	718,817	16,679,452	–	–	16,679,452
Total comprehensive loss	–	–	–	–	(1,803,799)	17,098,674	665,760	(22,723,865)	718,817	(6,044,413)	(4,421,800)	–	(10,466,213)
Increase in capital stock	14,642,500	–	–	–	–	–	–	–	–	14,642,500	–	–	14,642,500
Transfer of portion of revaluation increment realized through depreciation	–	–	–	(1,250,148)	–	–	–	1,250,148	–	–	–	–	–
Conversion of deposits for future stock subscription to capital stock	6,675,000	–	(6,675,000)	–	–	–	–	–	–	–	–	–	–
Balances at December 31, 2013	₱631,940,878	₱32,699,360	–	15,809,309	(2,674,708)	36,038,968	(2,704,577)	133,574,416	718,817	845,402,463	(4,421,659)	(3,240,000)	837,740,804
Net loss	–	–	–	–	–	–	–	(3,579,062)	–	(3,579,062)	(3,052,515)	–	(6,631,577)
Other comprehensive loss, net of tax	–	–	–	–	1,185,524	1,628,313	(2,305,588)	–	(2,577,141)	(2,068,892)	247,275	–	(1,821,617)
Total comprehensive loss	–	–	–	–	1,185,524	1,628,313	(2,305,588)	(3,579,062)	(2,577,141)	(5,647,954)	(2,805,240)	–	(8,453,194)
Increase in capital stock	7,932,500	–	–	–	–	–	–	–	–	7,932,500	–	–	7,932,500
Transfer of portion of revaluation increment realized through depreciation	–	–	–	(1,178,334)	–	–	–	1,178,334	–	–	–	–	–
Share of NCI in CTA	–	–	–	–	–	–	–	–	(247,275)	(247,275)	–	–	(247,275)
Balances at December 31, 2014	639,873,378	32,699,360	–	14,630,975	(1,489,184)	37,667,281	(5,010,165)	131,173,688	(2,105,599)	847,439,734	(7,226,899)	(3,240,000)	836,972,835
Net income (loss)	–	–	–	–	–	–	–	5,444,815	–	5,444,815	(6,633,138)	–	(1,188,323)
Other comprehensive loss, net of tax	–	–	–	–	4,816,396	(35,467,141)	445,801		969,006	(29,235,938)	90,861	–	(29,145,077)
Total comprehensive loss	–	–	–	–	4,816,396	(35,467,141)	445,801	5,444,815	969,006	(23,791,123)	(6,542,277)	–	(30,333,400)
Issuance of capital stock	156,250	–	–	–	–	–	–	–	–	156,250	–	–	156,250
Transfer of portion of revaluation increment realized through depreciation	–	–	–	(1,825,496)	–	–	–	1,825,496	–	–	–	–	–
Share of NCI in CTA	–	–	–	–	–	–	–	–	90,861	90,861	–	–	90,861
Balances at December 31, 2015	₱640,029,628	₱32,699,360	₱–	₱12,805,479	₱3,327,212	₱2,200,140	(₱4,564,364)	₱138,443,999	(₱1,045,732)	₱823,895,722	(₱13,769,176)	(₱3,240,000)	₱806,886,545

See accompanying Notes to Consolidated Financial Statements

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Corporate Information
Basic Energy Corporation (BEC or the Parent Company), a publicly listed corporation, and its subsidiaries (collectively referred to as the Group) were incorporated in the Philippines on September 19, 1968. The Parent Company's registered business address is at 7th Floor, Basic Petroleum Building, C. Palanca Jr. Street, Legaspi Village, Makati City.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

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

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

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

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

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

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

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

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

Effective Date to be Determined:

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The Securities and Exchange Commission and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any effect on the financial statements of the Group.

Effective January 1, 2016:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective January 1, 2018:

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

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

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

Effective January 1, 2019:

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

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

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

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

Summary of Significant Accounting and Financial Reporting Policies

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

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

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

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

All other assets are classified as noncurrent.

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

The Group classifies all other liabilities as noncurrent.

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

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

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

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

Initial Recognition and Measurement of Financial Instruments
The Group determines the classification of financial instruments at initial recognition and where allowed and appropriate, re-evaluates this designation at every end of the financial reporting period.

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

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

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

The Group's financial assets are in the nature of loans and receivables and AFS financial assets. As at December 31, 2015 and 2014, the Group has no financial assets at FVPL and HTM investments or derivatives designated as hedging instruments in an effective hedge.
The Group's financial liabilities are in the nature of loans and borrowings as at December 31, 2015 and 2014.

Fair Value Measurement
The Group measures AFS financial assets and investment properties, at fair value at each end of reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

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

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

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, such financial assets are subsequently measured in the consolidated statement of financial position at amortized cost using the effective interest rate (EIR) method, less any provision for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of EIR. The amortization losses arising from impairment are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

The Group's cash and cash equivalents and receivables as at December 31, 2015 and 2014 are classified under this category (see Notes 5 and 6).

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

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

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

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

As of December 31, 2015 and 2014, included under AFS financial assets are the Group's investments in shares of stock and government bonds (see Note 8).

Loans and Borrowings
Issued financial instruments or their components which are not designated as at FVPL are classified as loans and borrowings, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

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

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

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

<u>Impairment of Financial Assets</u>
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.

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

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

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

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

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

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

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

The carrying value of receivables, net of allowance for impairment of accounts receivable amounted to ₱2,460,790 and ₱3,644,289 as at December 31, 2015 and 2014, respectively (see Note 6).

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

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

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

Estimation of Useful Lives of Property and Equipment
The Group estimates the useful lives of their property and equipment based on the period over which the assets are expected to be available for use. The Group annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment would increase depreciation expense and decrease noncurrent assets. The depreciation expense recognized during 2015, 2014 and 2013 amounted to ₱3,575,378, ₱3,486,723 and ₱3,264,564, respectively (see Note 11).

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

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

As at December 31, 2015 and 2014, the Group assessed that there were no impairment indicators on its property and equipment. The carrying value of property and equipment, net of accumulated depreciation and amortization amounted to ₱22,033,509 and ₱25,145,742 as at December 31, 2015 and 2014, respectively (see Note 11).

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

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

- the period for which the Group has the right to explore in the specific area has expired or will expire in the near future and is not expected to be renewed;

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

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

There was no provision for impairment loss on deferred charges and project development costs in 2015, 2014 and 2013.

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

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

Realizability of Deferred Income Tax Assets
Deferred income tax assets are recognized for all temporary deductible differences to the extent that it is probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Group's recognized deferred income tax assets amounted to ₱15,581,657 and ₱14,136,766, as at December 31, 2015 and 2014, respectively (see Note 20).

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

Estimation of Retirement Benefits Costs
The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. The assumptions made by the Group resulted in accrued retirement benefits amounting to ₱13,694,736 and ₱11,913,169 as at December 31, 2015 and 2014, respectively (see Note 19).

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

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

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

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

The Group recognized a fair value adjustment on its investment properties amounting to ₱33,578, ₱2,824,044, and ₱2,155,000 in 2015, 2014 and 2013, respectively. The fair value adjustments on its investment properties are based on the latest appraisal reports in 2012 for the land in Bolinao, Pangasinan, San Fabian, Pangasinan and Tanay, Rizal, and latest appraisal report in 2013 for the land in Gutalac, Zamboanga del Norte. The fair value of the Group's investment properties amounted to ₱203,424,809 and ₱203,458,387 as at December 31, 2015 and 2014, respectively (see Note 9).

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

4. Status of Investments and Management's Outlook

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

In 2008, the Parent Company declared FEP in default and the receivables from FEP were the subject of arbitration proceedings between the Parent Company and FEP. On June 14, 2012, the Ad-Hoc Arbitration Tribunal rendered its decision in favor of the Parent Company and awarded payment by FEP of the balance of the share of the Parent Company in the historical cost recoveries received by FEP on the oil assets sold to Forum under the SPA and directed the parties to cause the election of the Parent Company's nominee to FEP's Board until full payment of FEP's obligations to the Parent Company. Even prior to the arbitration award, the parties has been in continuing discussions on a global settlement on all issues pertaining to the SPA, as the arbitration proceedings covered only the Parent Company's claim for its share in historical cost recoveries and a global settlement would be beneficial to both parties. Subsequently, the parties entered into a Compromise Agreement covering settlement of the aforementioned award by the Ad-Hoc Arbitration Tribunal in favor of the Parent Company and other claims under the SPA. Under the agreement, FEP will pay the Parent Company an aggregate amount of ₱186,567,854 (US$4,400,000) and the Parent Company agreed not to nominate a representative to the FEP Board. Prior to the finalization of settlement between the Parent Company and Forum, the latter already paid ₱38,367,996 to the Parent Company as part of the sale of BPMI. As at December 31, 2015, FEP had settled all its obligations to the Parent Company.

The total settlement amount due to the Parent Company of ₱224,955,850 was recorded in 2012 as "Income from previous sale of BPMI" in the consolidated statement of comprehensive income. The remaining balance of the settlement proceeds amounted to ₱41,050,000 (US$1,000,000) as at December 31, 2012, which amount was fully paid by FEP as at December 31, 2013.

Oil Service Contracts (SCs)

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

SC 47 (Offshore Mindoro)

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

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

In 2009, the Parent Company along with its partners, continued exploration efforts in this service contract. The Department of Energy approved the seismic program commitment under Sub-Phase 2 (January 2008 to January 2010). The 2D seismic survey was carried out by CGG Veritas from August 19-29, 2009 covering a total of 1,091.6 kms at a cost of US$637,417.

On August 14, 2009, the DOE approved the relinquishment of 25% of the original area of the service contract, reducing the area to 1,098,000 hectares, where the islands of Caluya, Sibay and Semirara were retained.

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

SC 53 (Onshore Mindoro)
SC 53 was awarded by the DOE on July 8, 2005, for a ten years exploration period. It covers 6,600 sq. km. of the onshore areas of Mindoro Island which is within the NPMCB. Past exploration efforts in SC 53 included the acquisition of 2,000 kilometers of 2D seismic data and the drilling of 4 exploration wells. Three (3) of the four (4) wells encountered oil and gas but were considered non-commercial at the time of drilling.

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

On July 11, 2011, Resource Management Associates Pty Limited of Australia signed a Farm In Agreement with Pitkin to acquire 35% from its 70% participating interest.

On November 11, 2011, Pitkin reported that Sub-Phase 1, which was to end March 6, 2012, was fulfilled with the completion of the 200 kilometers of seismic data. Sub-Phase 2 which carries a minimum work obligation of two (2) wells and a financial commitment of US$2,000,000, have been extended up to the resolution of the complaint filed by Famatodi, Inc., an organization of indigenous peoples in Mindoro and the issuance of the Certificate of Precondition by the National Commission of Indigenous Peoples (NCIP).

The consortium agreed to drill Progreso-2 to fulfil one of the 2 well obligations and the planned geology and geophysical works will be negotiated as fulfilment of the second well. For this phase, the approved firm budget amounts to US$8,400,000 and the contingent budget amounts to US$6,140,000. The project is presently suspended, pending resolution of the aforementioned case filed by Famatodi, Inc. and clearance by the NCIP. The Parent Company has a 3% participation in this service contract.

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

PT BES acquired the rights to manage ten (10) wells in the area, with the objective of rehabilitating these wells for possible limited oil production. As at December 4, 2014, Well BES-02 has completed wire logging. Production casings are presently being installed. After which, production testing will be conducted. Well BES-06 is in the first phase production testing. Well BES-03 has completed production testing. Data from the testing is presently being analyzed and will determine the optimum parameters to be used during regular production. Equipment for

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

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

In early 2015, Pertamina terminated the oil production agreements with the local miners' organizations in the Dandangilo and Wonocolo Kedewan, Bojonegoro Regency, East Java oil fields. In view thereof, PT BES suspended operations on the above-mentioned wells, pending issuance by Pertamina of the new guidelines for the oil production operations of old oil wells in the said oil fields, and pending final decision by Pertamina on the new organization of local miners who will supervise and manage oil production from the old oil wells in the said fields, with whom PT BES shall enter into co-operation agreements.
The Parent Company has budgeted for 2015 US$3.59 million for this project.

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

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

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

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

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

For this service contract, the work program is currently on Sub-Phase 3 which involves the drilling of one (1) exploratory well by 2016. Estimated cost for this work program is ₱167,000,000. On February 26, 2015, Trans-Asia Energy Corporation executed a Farm-in Agreement with the Parent Company acquiring a twenty-five percent (25%) participating interest in this project. As of December 31, 2015, discussions are on-going with prospective drilling contractors and project management service providers.

New GSCs
The Parent Company was also awarded the service contracts from the DOE in February 2014, covering four (4) geothermal projects, namely: Iriga Geothermal Power Project, Mariveles Geothermal Power Project, the East Mankayan Geothermal Power Project and the West Bulusan Geothermal Power Project, all carrying a maximum exploration period of five (5) years. For the first year program, these projects are undergoing evaluation of existing data, permitting and coordination with the local government units involved. Estimated costs for the first year work programs for these service contracts is ₱7,700,000.

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

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

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

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

Hydropower Service Contracts (HSCs)
The Parent Company is likewise involved in the exploration, development and production of hydropower energy. It has been awarded service contracts for various areas by the DOE, which prescribes the periods and programs for these service contracts, pursuant to RA 9513.

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

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

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

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

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

The full recovery of the deferred charges, amounting to ₱70,172,323 and ₱54,622,671 as at December 31, 2015 and 2014, respectively, incurred in connection with the Parent Company's participation in the acquisition, exploration and development of petroleum concessions is dependent upon the discovery of oil and gas and other renewable resources in commercial quantities from the respective contract areas and the success of future developments thereof (see Note 10).

5. Cash and Cash Equivalents

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

Cash in banks and cash equivalents earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group. Interest income amounted to ₱1,664,082, ₱442,686 and ₱2,530,679 in 2015, 2014 and 2013, respectively (see Note 16).

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

6. Receivables

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

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

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

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

7. Prepayments and Other Current Assets

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

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

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

8. AFS Financial Assets

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

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

The movements in AFS financial assets account follow:

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

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

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

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

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

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

9. Investment Properties

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

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

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

The Group further engaged Vitale Valuation Services, Inc., an independent firm of appraisers, to determine the fair value of its land in Gutalac, Zamboanga, as at May 29, 2013. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair valuation was estimated through the income approach; categorized as level 3 using the generally accepted sales comparison assuming selling and development, and then discounting the net revenue at an interest rate of 12% resulting to a price per square meter of ₱20. The Company has determined that the highest and best use of the investment property is for agricultural utility. The date of the appraisal was June 10, 2013.

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

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

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

10. Deferred Exploration Costs

The movements in deferred exploration costs follow:

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

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

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

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

The term of the GSC is for five years from the effective date consisting of three subphases, renewable for another two years.

In 2014, the four (4) new GSCs started with its five-year pre-development stage. Afterwards, the developer has to declare commerciality before proceeding to development stage. The second phase can run from 25 to as long as 50 years, depending on results of exploration tests.

The HSCs include hydropower exploration, development, production and utilization, including the construction, installation, operation and maintenance of hydropower systems to convert hydropower to electrical power and the transmission of such electrical power and/or non-electrical uses. However, the Group returned these HSCs to the DOE.

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

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

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

11. Property and Equipment

At cost:

2015

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

2014

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

At revalued amounts:

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

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

Revaluation increment in office condominium as at December 31, 2015 and 2014 amounted to ₱12,805,479 and ₱14,630,975, respectively, which is presented under the "Revaluation increment in office condominium" account in the consolidated statements of financial position and consolidated statements of changes in equity.

If the office condominium was measured using the cost model, the carrying amount as of December 31, 2015 and 2014 would be as follows:

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

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

12. Accounts Payable and Accrued Expenses

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

Accounts payable consists of short-term and noninterest-bearing trade payables to the Group's local suppliers with an average credit terms of 30 days. Other payables are liabilities to various government agencies generally payable within 30 days.

13. Equity

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

2015

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

2014

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

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

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

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

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

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

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

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

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

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

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

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

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

h. On September 8, 2011, the SEC approved the Stock Option Plan of the Parent Company granting directors, members of the advisory board, officers and employees of the Parent Company options to purchase, at the par value of ₱0.25 per share, a total of 500,000,000 shares. Out of these shares, 26.7 million have been paid and listed in the Philippine Stock Exchange on January 21, 2013 which was classified as deposit for future stock subscription as of December 31, 2012. On July 24, 2013, the Philippine Stock Exchange approved for listing the remaining 473,000,000 shares.

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

<u>Stock Options Plan (SOP)</u>

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

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

On June 18, 2010, the stockholders approved the extension of the exercise period to July 11, 2013. In 2013, a total of seventeen directors, and the chairman and a member of the advisory board and certain officers of the Parent Company have exercised the stock option plan and subscribed for the total of 500,000,000 shares at the exercise price. Weighted average exercise price amounted to ₱0.25 per share. Out of these shares, 26.7 million have been paid and listed in the Philippine Stock Exchange on January 21, 2013 which was classified as deposit for future stock subscription as at December 31, 2012. On July 24, 2013, the Philippine Stock Exchange approved for listing the remaining 473,000,000 shares. As at December 31, 2013, additional 58.57 million shares have been paid and listed in the Philippine Stock Exchange.

There was no new SOP granted in 2014 and 2013.

The stock price at exercise date is ₱0.25.

14. Treasury Stock

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

15. Group Information

Subsidiary with material non-controlling interest

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

The Parent Company, through Grandway, incorporated PT BES to carry out its oil well business in Indonesia. The Group owns 67% equity interest in PT BES. In SRI, the Group owns 72.58%. This information is based on amounts before intercompany eliminations.

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

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

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

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

16. Interest Income

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

17. Related Party Transactions

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

Compensation of Key Management Personnel

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

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

   Directors' remuneration consists only of per diems for attendance at the BOD and Committee meetings. In 2015, 2014 and 2013, total per diems received by the members of the BOD amounted to ₱1.7 million, ₱2.1 million and ₱1.88 million, respectively. There is no existing compensatory plan or arrangement for directors of the Parent Company.

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

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

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

2015

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

2014

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

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

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

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

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

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

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

Transactions with Retirement Benefit Fund

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

b. The carrying amount and fair value of the retirement benefit fund as at December 31, 2015 and 2014 amounted to ₱12.48 million and ₱9.52 million, respectively (see Note 19).

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

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

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

18. General and Administrative Expenses

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

19. Retirement Benefits

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

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

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

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

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

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

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

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

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

	2015	2014
Discount rate	**4.61%**	4.61%
Salary projection rate	**8.00%**	8.00%

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

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

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

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

20. Income Taxes

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

b. Current income tax in 2015, 2014 and 2013 pertains to MCIT. Provision for (benefit from) income tax consists of:

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

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

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

d. As at December 31, 2015 and 2014, the Group has temporary differences and carryforward benefit for which no deferred income tax asset was recognized as management expects that it is not probable that sufficient future taxable profit will be available against which deferred income tax asset can be utilized. Details are as follows:

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

e. As at December 31, 2015, the Group has NOLCO and MCIT that can be utilized as deduction from future taxable income and income tax due, respectively, follow:

Year Incurred	NOLCO	Excess MCIT over RCIT	Expiry Year
2015	₱485,845	₱910,421	2018
2014	35,350,269	97,392	2017
2013	34,907,409	45,827	2016
	₱70,743,523	₱1,053,640	

Movements in NOLCO and excess MCIT follow:

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

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

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

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

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

(Forward)

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

21. **Basic/Diluted Earnings Per Share**

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

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

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

22. **Segment Information**

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

As of December 31, 2015 and 2014, the Group has three main business segments - investment holding, agriculture and energy oil and gas exploration.

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

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

2015

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

2014

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

2013

	Investment Holding	Energy, Oil and Gas Exploration	Agriculture	Eliminations	Total
Results:					
Income (loss) before income tax	(₱7,928,153)	(₱11,946,372)	(₱115,689)	₱–	(₱19,990,214)
Provision for income tax	(6,828,524)	(324,945)	(1,982)	–	(7,155,451)
Net loss	(₱14,756,677)	(₱12,271,317)	(₱117,671)	₱–	(₱27,145,665)
Assets and Liabilities:					
Segment assets	₱666,966,231	₱110,837,026	₱790,798	(₱124,765,451)	₱653,828,604
Investment properties	196,272,343	4,362,000	–	–	200,634,343
Consolidated total assets	₱863,238,574	₱115,199,026	₱790,798	(₱124,765,451)	₱854,462,947
Consolidated total liabilities	₱94,477,000	₱57,239,848	₱36,999,084	(₱171,993,789)	₱16,722,143
Other Segment Information:					
Additions to:					
Property and equipment	₱230,673	₱226,231	₱–	₱–	₱456,904
Deferred charges	–	46,248,903	–	–	46,248,903
Project development costs	–	39,286,179	–	–	39,286,179
Depreciation	3,240,625	23,939	–	–	3,264,564

23. Fair Value Measurements

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

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

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

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

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

Fair Value Hierarchy
As at December 31, 2015 and 2014, the following table presents the level of hierarchy of the Group's AFS debt and equity instruments:

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

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

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

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

As at December 31, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

24. Financial Risk Management Objectives and Policies

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

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk and liquidity risk. The Group has no significant exposure to interest rate risk as of December 31, 2015 and 2014. The Group's overall risk management program focuses on minimizing the potential adverse effects on the Group's financial performance due to unpredictability of financial markets.

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

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

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

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

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

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

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

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

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

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

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

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

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

The following table presents the effect on the consolidated financial statements of reasonably possible changes in market prices of AFS financial assets - quoted equity and debt securities as of December 31, 2015 and 2014 until the Group's next financial reporting date:

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

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

Credit risk

Credit risk is the risk that the Group will incur a loss because its counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by doing business only with recognized, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group does not have any collateral held as security and other credit enhancements on its financial assets as of December 31, 2015 and 2014. Therefore, the Group's maximum exposure to credit risk is equal to the carrying amount of its financial assets as at December 31, 2015 and 2014.

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

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

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

**Excluding cash on hand.*

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

**Excluding cash on hand.*

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

Financial instruments classified as "high grade" are those cash and cash equivalents and cash investments transacted with reputable local and multi-national banks and receivables with some history of default on the agreed terms of the contract. AFS financial assets are considered "high grade" since these are invested in blue chip shares of stock. "Past due and impaired" are those that are long outstanding and has been fully provided with an allowance for doubtful accounts. There are no past due but not impaired receivables as of December 31, 2015 and 2014, respectively.

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

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

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

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

	2015			
	Less than 3 months	**More than 3 months but less than one year**	**More than one year**	**Total**
Financial assets				
Loans and receivable:				
Cash and cash equivalents	**₱201,015,066**	**₱–**	**₱–**	**₱201,015,066**
Receivables:				
Accrued interest receivable	**386,981**	–	–	**386,981**
Other receivables	**35,295**	–	–	**35,295**
	201,437,342	–	–	**201,437,342**
AFS financial assets - Quoted debt Securities	**22,153,937**	**43,958,676**	–	**66,112,613**
	223,591,279	**43,958,676**	–	**267,549,955**
Financial liabilities				
Loans and borrowings:				
Accounts payable and accrued expenses	**4,782,549**	–	–	**4,782,549**
Dividends payable	**888,714**	–	–	**888,714**
	5,671,263	–	–	**5,671,263**
Net liquidity position	**₱217,920,016**	**₱43,958,676**	**₱–**	**₱261,878,692**

	2014			
	Less than 3 months	More than 3 months but less than one year	More than one year	Total
Financial assets				
Loans and receivable:				
Cash and cash equivalents	₱47,143,661	₱–	₱–	₱47,143,661
Receivables:				
Accrued interest receivable	1,160,796	–	–	1,160,796
Other receivables	1,641,460	–	–	1,641,460
	49,945,917	–	–	49,945,917
AFS financial assets - Quoted debt Securities	55,291,146	212,914,657	–	268,205,803
	105,237,063	212,914,657	–	318,151,720
Financial liabilities				
Loans and borrowings:				
Accounts payable and accrued expenses	₱12,615,823	₱–	₱–	₱12,615,823
Dividends payable	888,714	–	–	888,714
	13,504,537	–	–	13,504,537
Net liquidity position	₱91,732,526	₱212,914,657	₱–	₱304,647,183

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares. No changes were made on the objectives, policies or processes during the years ended December 31, 2015 and 2014.

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

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

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

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

SGV
Building a better working world

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

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Basic Energy Corporation and its subsidiaries as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, included in this Form 17-A, and have issued our report thereon dated March 30, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-3 (Group A),
March 21, 2013, valid until April 30, 2016
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2015,
March 24, 2015, valid until March 23, 2018
PTR No. 5321628, January 4, 2016, Makati City

March 30, 2016

BASIC ENERGY CORPORATION AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2015

Schedule A. Financial Assets

AFS financial assets

Description	Beginning balances	Disposals at cost	Additions at cost	Increase (decrease) in fair value, net	Ending balances
Debt securities - quoted, at fair value	₱268,205,803	(₱188,726,049)	₱22,100,000	(₱35,467,141)	₱66,112,613
Investments in shares of stock:					
Quoted	97,532,961	(58,158,606)	49,092,588	5,830,934	94,297,877
	₱365,738,764	(₱246,884,655)	₱71,192,588	(29,825,193)	₱160,410,490

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2015

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

Name and designation of debtor	Beginning balances	Additions	Amounts collected	Amounts written off	Current	Not current	Ending balances
Advances to Officers and Employees	₱123,427	₱76,893	₱–	₱–	₱200,320	₱–	₱200,320

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2015

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

Name and designation of debtor	Beginning balances	Additions	Amounts collected	Amounts written off	Current	Not current	Ending balances
BRI	₱–	₱–	₱–	₱–	₱–	₱–	₱–
BDIHI	21,618,281	112,190	–	–	–	–	21,730,470
BBC	5,814,716	66,301	–	–	–	–	5,881,017
iBasic	3,684,662	131,444	–	–	–	–	3,816,106
BGEC	200	–	200	–	–	–	–
SRI	171,954	73,699	–	–	–	–	245,653
Grandway	173,995,267	21,119,227	–	–	–	–	195,114,494

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2015

Schedule D. Intangible Assets - Other Noncurrent Assets

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

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2015

Schedule E. Long Term Debt

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

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

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

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

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2015

Schedule G. Guarantees of Securities of Other Issuers

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

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2015

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for options, warrants, conversion and other rights	No of shares held by		
				Employees	Directors and Officers	Others
Common shares	10,000,000,000	2,560,118,512	–	2,500,000	144,292,842	2,025,000

SCHEDULE II

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION (Part 1, 4C; Annex 68-C)

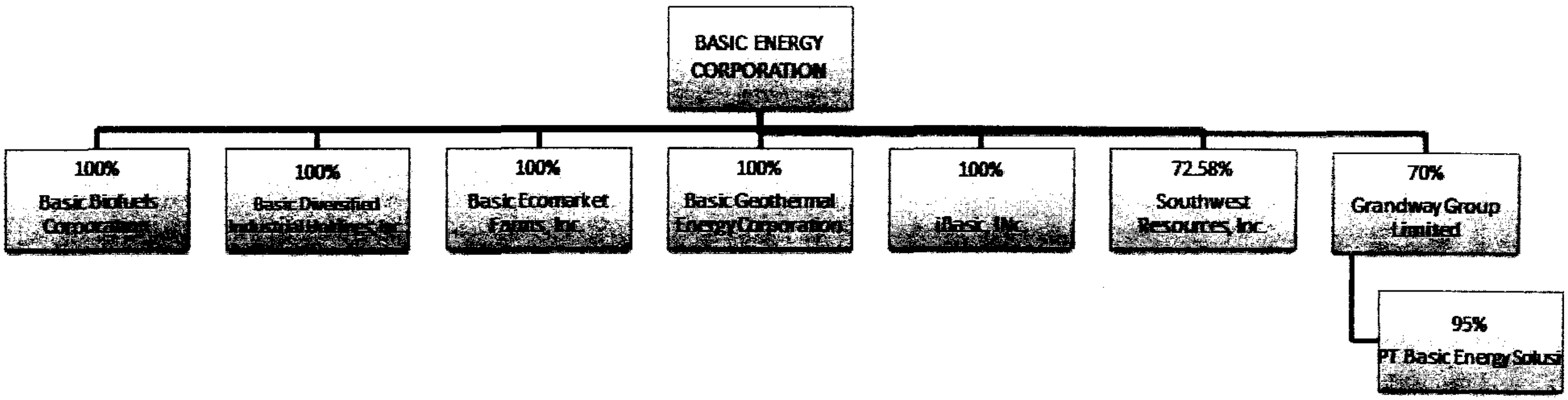
DECEMBER 31, 2015

Unappropriated Retained earnings as of December 31, 2014, as reflected in audited financial statements		₱131,173,688
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)		5,433,321
Amount of recognized deferred tax asset that reduced the amount of income tax expense and increased the net income and retained earnings, until realized		(6,846,316)
Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*		129,760,693
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	5,444,815	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	5,999,575	
Unrealized actuarial gain	–	
Fair value adjustment (mark-to-market gains)	–	
Fair value adjustment of investment property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP - gain	–	
Amount of recognized deferred tax asset that reduced the amount of income tax expense and increased the net income and retained earnings, until realized	5,586,567	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Subtotal	11,586,142	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	1,825,496	
Adjustment due to deviation from PFRS/GAAP - loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Subtotal	1,825,496	
Net income actually earned during the period		125,444,862
Add (Less):		
Dividend declarations during the period	–	
Appropriations of retained earnings	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Subtotal		–
UNAPPROPRIATED RETAINED EARNINGS, *AS ADJUSTED TO AVAILABLE FOR DIVIDEND DISTRIBUTION, END*		**₱125,444,862**

SCHEDULE III

BASIC ENERGY CORPORATION AND SUBSIDIARIES

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



SCHEDULE IV

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

List of Philippine Financial Reporting Standards (PFRS) [which consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&A's effective as of December 31, 2015:

[illegible]		[illegible]	[illegible]	[illegible]
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

[illegible]		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories			✓

[illegible]		[illegible]	[illegible]	[illegible]
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓

[illegible]		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓

[illegible]		[illegible]	[illegible]	[illegible]
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2	✓		
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓

[illegible]		[illegible]	[illegible]	[illegible]
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS PURSUANT TO SRC RULE 68 AS AMENDED
DECEMBER 31, 2015

	2015	2014
Profitability ratios:		
Return on assets	**(0.00%)**	(0.01%)
Return on equity	**(0.00%)**	(0.01%)
Net profit margin	**0%**	0%
Solvency and liquidity ratios:		
Current ratio	**31.19:1**	3.96:1
Debt to equity ratio	**0.03:1**	0.03:1
Quick ratio	**30.56:1**	3.79:1
Asset to equity ratio	**1.03:1**	1.03:1
	(0.01%)	(0.01%)

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 7th 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

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

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

Yes [x] 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 [x] No [ ]

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

Yes [x] 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:

KEY PERFORMANCE INDICATORS	1st Qtr 2016	1st Qtr 2015	1st Qtr 2014
Return on Investments (ROI) (Net Income/Ave.Stockholders' Equity)	-0.98%	3.33%	-0.67%
Profit Margin (Net Income/Net Revenue)	-167.42%	58.51%	-94.43%
Investment in Projects(Non-Petroleum) as a % of Total Assets	24.87%	23.76%	23.72%
Investment in Wells & Other Facilities as a % of Total Assets	28.06%	24.01%	10.71%
Current Ratio (Current Asset/Current Liabilities)	26.42:1	18.32:1	31.24:1
Asset turnover (Net revenue/Ave.Total Assets)	0.58%	5.59%	0.70%
Solvency Ratios			
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 1st quarter of 2016, 3.33% for the 1st quarter of 2015 and -0.67% for the 1st 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 1st quarter of 2016, 58.51% for the 1st quarter of 2015 and -94.43% for the 1st 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 1st quarter of 2014 to 23.76% for the 1st quarter of 2015 and to 24.87% for the 1st 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 1st quarter of 2014 to 24.01% for the 1st quarter of 2015 and to 28.06% for the 1st 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 1st quarter of 2016, 18.32:1 for the 1st quarter of 2015, and 31.24:1 for the 1st 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 1st quarter of 2016, 5.59% for 1st quarter of 2015 and 0.70% for the 1st 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 1st quarter of 2016, 2.68% for the 1st quarter of 2015 and 2.00% for the 1st 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 1st quarter of 2016, 101.45% for the 1st quarter of 2015 and 101.00% for the 1st 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 1st 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 1st 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 1st 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 cyclicality. 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
ASSETS				
Current Assets				
Cash and cash equivalents	₱	187,438,459	₱	201,015,066
Receivables-net		2,883,833		2,460,790
Other current assets		5,211,345		4,195,650
Total Current Assets		195,533,637		207,671,506
Non Current Assets				
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
Total Non Current Assets		622,355,445		619,567,279
TOTAL ASSETS	₱	817,889,082	₱	827,238,785
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	₱	5,526,067	₱	4,782,549
Income tax payable		986,420		986,240
Dividends Payable		888,714		888,714
Total Current Liabilities	₱	7,401,201	₱	6,657,503
Non Current Liabilities				
Accrued retirement benefits payable		15,194,736		13,694,736.00
Total Noncurrent Liabilities		15,194,736		13,694,736
TOTAL LIABILITIES	₱	22,595,937	₱	20,352,239
Minority Interest		(11,768,487)		(13,769,176)
Stockholders' Equity				
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
Total		810,301,632		823,895,722
Treasury stock (at cost)		(3,240,000)		(3,240,000)
Total Equity		807,061,632		820,655,722
TOTAL LIABILITIES & STOCKHOLDERS'EQUITY	₱	817,889,082	₱	827,238,785

BASIC ENERGY CORPORATION, INC. AND SUBSIDIARIES -2-
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
For the period ended March 31, 2016 and March 31, 2015

		As of 16-Mar-16		As of 31-Mar-15
REVENUES				
	P		P	
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
COSTS AND EXPENSES				
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
LOSS BEFORE INCOME TAX		**(7,968,434)**		**28,106,833**
PROVISION FOR INCOME TAX				
Current		0		0
Deferred				
		0		**0**
NET INCOME (LOSS)		**(7,968,434)**		**28,106,833**
MINORITY INTEREST		**(2,000,689)**		**3,199,936**
		(9,969,123)		**31,306,769**
RETAINED EARNINGS AT BEGINNING OF YEAR / QUARTER		**138,443,999**		**131,173,688**
		-		
		-		0
RETAINED EARNINGS (DEFICIT) AT END OF YEAR/ QUARTER	P	**128,474,876**	P	**162,480,457**
Earnings (Loss) Per Share	P	**(0.0039)**	P	**0.0122**

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 -3-
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Period Ended March 31, 2016 and March 31, 2015

		1st quarter 2016		1st quarter 2015
CASH FLOWS FROM OPERATING ACTIVITIES				
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
CASH FLOWS FROM INVESTING ACTIVITIES				
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
CASH FLOWS FROM FINANCING ACTIVITIES				
			P	
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
CAPITAL STOCK - 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	₱	640,029,628	639,873,378
Paid-up Capital Stock at end of period/quarter	₱	640,029,628	639,873,378
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year		32,699,360	32,699,360
Balance at end of period	₱	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 BENEFIT		-4,564,364	-5,010,165
CUMULATIVE TRANSLATION ADJUSTMENT		-2,127,201	-498,241
RETAINED EARNINGS (DEFICIT)			
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	₱	128,474,876	162,480,457
TOTAL	₱	810,301,632	847,129,849
Treasury Stock (at cost)		(3,240,000)	(3,240,000)
TOTAL STOCKHOLDER'S EQUITY		807,061,632	843,889,849

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

Receivable from Stockholders	₱	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)
	₱	**2,883,833**

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	Past due accounts & Items in Litigation
a) Trade Receivables									
1)		-	-	-	-	-			
2)	-								
3)	-								
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	₱	4,402,594
SSS/Philhealth/HDMF/BIR Payables		691,124
Others		432,350
Total	₱	**5,526,067**

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.

<u>Improvements to PFRS</u>
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.

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

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

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, such financial assets are subsequently measured in the consolidated statement of financial position at amortized cost using the effective interest rate (EIR) method, less any provision for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of EIR. The amortization losses arising from impairment are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

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.

<u>Offsetting of Financial Instruments</u>
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.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets

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

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

<u>Prepayments and Other Current Assets</u>
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.

<u>Retirement Benefits Costs</u>

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.

<u>Income Taxes</u>
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.

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.

Fair Value Measurements

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

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

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

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

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

Fair Value Hierarchy
As at December 31, 2015 and 2014, the following table presents the level of hierarchy of the Group's AFS debt and equity instruments:

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

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

Fair value of investment properties are derived using the direct market comparison approach.

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**	**₱7,113,02[illegible]**	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.