Subject: ODiSy - Disclosure Status

From: no-reply@pse.com.ph (no-reply@pse.com.ph)

To: disclosure@pse.com.ph;

Date: Thursday, January 1, 1970 8:00 AM

Dear Sir/Madam:

We would like to inform you that as of JUN 05, 2013 03:22:16 PM today,

Reference Number: WLIST__2013000029818
Company Name: Basic Energy Corporation
Disclosure Subject: Amended Quarterly Report for period ended March 31, 2013
Status: APPROVED

Should you need further assistance, please e-mail us at

Philippine Stock Exchange, Inc.
PSE Center, One Exchange Road
Ortigas Center, Pasig City.
Philippines 1600

If verification is required please request a hard-copy version.

Philippine Stock Exchange, PSE Plaza, Ayala Avenue, Makati City.

BASIC ENERGY
CORPORATION

June 5, 2013

THE DISCLOSURE DEPARTMENT
2/F The Philippine Stock Exchange, Inc.
Tower One, PSE Centre
Makati City

Attention : **MS. JANET A. ENCARNACION**
Head, Disclosure Department

Gentlemen:

Attached herewith is a copy of our Amended Quarterly Report (SEC 17-Q) for the quarter ending March 31, 2013 filed with the Securities & Exchange Commission.

Very truly yours,

ANGEL P. GAHOL
Compliance Officer

7F Basic Petroleum Building, 104 Carlos Palanca Jr. Street, Legaspi Village, Makati City 1229, Philippines
(632) 817-8596 and 98 (632) 817-0191 www.basicenergy.ph

BASIC ENERGY
CORPORATION

31 May 2013

ATTY. JUSTINA F. CALLANGAN
Acting Director
Corporation Finance Department
Securities and Exchange Commission
SEC Building, EDSA, Greenhills
Mandaluyong City

Dear Atty. Callangan:

In response to your letter dated May 2, 2013 which we received on May 20, 2013, enclosed is our amended 2013 1st Quarter Report for the period ended March 31, 2013 (SEC Form 17-Q) in compliance with SRC Rule 68.1 as amended.

Thank you for your kind attention and we hope that our amended report has adequately complied with your requirements.

Very truly yours,

MARIETTA V. VILLAFUERTE
Vice President & Treasurer

Encls.: a/s

7F Basic Petroleum Building, 104 Carlos Palanca Jr. Street, Legaspi Village, Makati City 1229, Philippines
(632) 817-8596 and 98 (632) 817-0191 www.basicenergy.ph

COVER SHEET

REVISED

3 6 3 5 9

SEC Registration Number

BASIC ENERGY CORPORATION
(FORMERLY BASIC PETROLEUM CORP.)

(Company's Full Name)

7th Floor, Basic PetroleUm
Building, C. Palanca, Jr. Street,
Legaspi Village, Makati City

(Business Address: No. Street City/Town/Province)

Marietta V. Villafuerte

(Contact Person)

(632) 817-8596 to 98

(Company Telephone Number)

1 2 | 3 1

Month *Day*
(Calendar Year)

1 7 Q

(Form Type)

Month *Day*
(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q - REVISED

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, 2013

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	2,469,193,512
Listed with PSE	2,468,745,455

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 **May 30 , 2013**

Principal Financial/
Accounting Officer/Controller **MARIETTA V. VILLAFUERTE**

Signature and Title **VP & Treasurer**

Date **May 30, 2013**

ATTACHMENT "A"
FINANCIAL INFORMATION
For the Period Ended March 31, 2013

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, 2013 and March 31, 2012;
   1.2 Balance Sheets as of March 31, 2013 and December 31, 2012;
   1.3 Statements of Cash Flows for the Period Ended March 31, 2013 and March 31, 2012;
   1.4 Statements of Changes in Stockholders' Equity for the Period Ended March 31, 2013 and March 31, 2012.

2. Discussion on Financial Condition for the Period December 31, 2012 to March 31, 2013.

   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 2013	1st Qtr 2012	1st Qtr 2011
Return on Investments (ROI) (Net Income/Ave.Stockholders' Equity)	-0.70%	5.43%	7.51%
Profit Margin (Net Income/Net Revenue)	-124.63%	74.86%	75.04%
Investment in Projects(Non-Petroleum) as a % of Total Assets	22.64%	19.71%	33.55%
Investment in Wells & Other Facilities as a % of Total Assets	6.16%	6.98%	6.86%
Current Ratio (Current Asset/Current Liabilities)	87.22:1	54.34:1	60.82:1
Asset turnover (Net revenue/Ave.Total Assets)	0.55%	7.01%	9.68%
Solvency Ratios Debt to Equity Ratio	2.78%	3.24%	3.20%
Asset to Equity Ratio	102.86%	103.35%	103.31%
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 of -0.70% and Profit Margin of -124.63% both showed negative rates because of the net loss for the first quarter as compared to the net income during the 1st quarter of 2012.

Investment in Projects (Non- Petroleum) as a % of Total Assets increased from 19.71% to 22.64% because of the increase in investments due to fair value adjustments in 2013 as compared to 2012.

Investment in Wells & Other Facilities as a % of Total Assets slightly decreased to 6.16% from 6.98% due to the increases in both investments and total assets base in 2013 compared 2012.

Current Ratio increased to 87.22:1 from 54.34:1 due to the decreases in both current assets and current liabilities in 2013 compared to 2012.

Asset Turnover of 0.55% decreased from7.01% due to the decrease in revenue and the increase in the average total assets base in 2013 compared to 2012.

Debt to Equity Ratio decreased from 3.24% to 2.78% due to increases in both total liabilities and equity in 2013 compared to 2012.

Asset to Equity Ratio decreased to 102.86% from 103.35% due to increases in both total assets and equity base in 2013 compared to 2012.

B. Discussion and Analysis of Financial Condition as of March 31, 2013

For the quarter ending March 31, 2013, the company recorded a net loss on a consolidated basis of Php 5.860 million from total revenues of Php 4.695 million and total costs and expenses of Php 10.555 million with minority interest recorded at Php 9.59 thousand.

Total revenue for the period of Php 4.695 million was mainly from interest on cash and placements.

Total Assets as of March 31, 2013 stood at Php 854.460 million decreasing by Php 4.995 million from Php 859.455 million as of December 31, 2012. Current assets decreased by Php 23.271 million primarily from the decreases in cash and equivalents and short-term investments due to transfer to long-term investments. Non-current assets increased by Php 18.276 million mostly from the increase in investments in available for sale (AFS) assets.

Total Liabilities slightly increased by Php 1.073 million from PhP 22.650 million as of December 31, 2012 to Php 23.723 million as of March 31, 2012 due to the accruals for certain operating expenses.

Total Stockholders' Equity as of March 31, 2013 stood at Php 830.728 million decreasing by Php 6.077 million from Php 836.805 million as of December 31, 2012 mainly due to the net loss generated for the 1st quarter of 2013.

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, 2012.

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, 2013.

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.

There are no other issuances, repurchases and repayments of debt and equity securities other than the additional listing of 26,700,000 common shares of Basic Energy Corporation which has been paid and listed in the PSE on January 21, 2013.

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, 2012, 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, 2012, the Company has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2013 reporting;

(ii) We will however, continue to evaluate the impact of the standard in our financial statements for the year 2013.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of March 31, 2013 and December 31, 2012

		UNAUDITED March 31, 2013		AUDITED December 31, 2012
ASSETS				
Current Assets				
Cash and cash equivalents	₱	180,690,822	₱	202,436,999
Receivables-net		45,896,014		45,450,565
Short Term Investments		5,082,392.3		8,210,000
Other current assets		2,587,886		1,430,455
Total Current Assets		234,257,114		257,528,019
Non Current Assets				
Long-term cash invesment				6,157,500
Available-for-sale (AFS) financial assets		323,605,077		305,867,784
Investment properties		193,479,343		193,479,343
Property and equipment		33,447,277		34,167,479
Deferred charges		52,601,910		45,185,414
Deferred income tax asset		13,311,942		13,311,942
Other noncurrent assets		3,757,602		3,757,602
Total Non Current Assets		620,203,151		601,927,064
TOTAL ASSETS	₱	854,460,265	₱	859,455,083
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	₱	2,583,171	₱	2,513,258
Income tax payable		102,770		
Total Current Liabilities	₱	2,685,941	₱	2,513,258
Non Current Liabilities				
Deferred income tax liabilities		16,852,314		16,852,314
Accrued retirement benefits payable		4,184,513		3,284,513
Total Noncurrent Liabilities		21,036,827		20,136,827
TOTAL LIABILITIES	₱	23,722,768	₱	22,650,085
Minority Interest		9,590		141
Stockholders' Equity				
Attributable to equity holders of the Company:				
Capital stock[held by 6,853 & 7,035 equity holders as of 2012 & 2011 respectively		617,298,378		610,623,378
Additional Paid-In Capital		32,699,360		32,699,360
Revaluation increment in office condominium		17,059,457		17,059,457
Deposit for future stock subscription		-		6,675,000
Fair value adjustments on financial assets		17,843,211		18,069,385
Retained Earnings		149,067,501		154,918,277
Total		833,967,907		840,044,857
Treasury stock (at cost)		(3,240,000)		(3,240,000)
Total Equity		830,727,907		836,804,857
TOTAL LIABILITIES & STOCKHOLDERS'EQUITY	₱	854,460,265	₱	859,455,083

BASIC ENERGY CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
For the period ended March 31, 2013 and March 31, 2012

		As of 31-Mar-13		As of March 31, 2012
REVENUES				
	P		P	
Income from previous sale of BPMI		-		38,387,996
Interest, Dividends and Others		4,694,596		3,246,131
Sales		-		-
		4,694,596		41,634,127
COSTS AND EXPENSES				
General and administrative expenses		9,812,421		9,601,877
Unrealized Forex Gain/ (Loss)		674,088		-
Realized Forex Gain/ (Loss)		68,453		875,946
Others		-		-
		10,554,962		10,477,823
LOSS BEFORE INCOME TAX		**(5,860,366)**		**31,156,303**
PROVISION FOR INCOME TAX				
Current		0		0
Deferred				
		0		**0**
NET INCOME (LOSS)		**(5,860,366)**		**31,156,304**
MINORITY INTEREST		**9,590**		**8,371**
		(5,850,776)		**31,164,675**
RETAINED EARNINGS AT BEGINNING OF YEAR / QUARTER		**154,918,277**		**(91,624,127)**
		-		
		-		**0**
RETAINED EARNINGS (DEFICIT) AT END OF YEAR/ QUARTER	P	**149,067,501**	P	**(60,459,452)**
Earnings (Loss) Per Share	P	**(0.0024)**	P	**0.0128**

Formula: Earnings (Loss) Per Share *= Net Income/ No. of shares for the quarter ended March 31,2013*
2,469,193,512

= Net Income/ No. of shares for the quarter ended March 31,2012
2,442,493,512

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Period Ended March 31, 2013 and March 31, 2012

		1st quarter 2013		1st quarter 2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income (loss)	₱	(5,860,366)	₱	31,156,304
Adjustment to reconcile net income to net cash provided by operating activities				
Interest income		4,694,596		3,237,702
Depreciation,depletion and amortization		743,676		950,671
Foreign Exchange Gain/Loss		742,541		875,946
Operating income (loss) before working capital changes		320,447		36,220,623
Changes in assets and liabilities				
Decrease (Increase) in asset/s				
Receivables		(445,449)		(517,334)
Prepayments and other current assets		8,146,716		(893,336)
Increase (Decrease) in liabilities				
Accounts payable & accrued expenses		172,683		(555,282)
Accrued retirement benefits payable		900,000		600,000
Cash generated from (used in) operations		**9,094,397**		**34,854,672**
Interest received		(4,694,596)		(3,237,702)
Taxes paid				-
Net cash flows from (used) in operating activities	₱	4,399,801	₱	31,616,970
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of AFS & FVPL Investments		-		
Additions (Deductions) to:				-
AFS Investment		(17,737,293)	₱	(15,120,442)
Project development cost		-		-
Deferred charges		(7,416,496)		(1,869,291)
Property & equipment		(23,474)		(3,161,668)
Unrealized gain on fair value adjustments		(226,174)		114,896
Net cash from (used in) investing activities	₱	(25,403,437)	₱	(20,036,505)
CASH FLOWS FROM FINANCING ACTIVITIES				
			₱	
Net cash provided by financing activities		-	₱	-
EFFECT OF FOREIGN EXCHANGE RATE CHANGES IN CASH & CASH EQUIVALENT		(742,541)		(875,946)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT		(21,746,177)	₱	10,704,518
CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR/QUARTER		202,436,999		311,754,005
CASH AND CASH EQUIVALENT AT END	₱	180,690,822	₱	322,458,523

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Period Ended March 31, 2013 and March 31, 2012

		Quarters Ended March 31	
		2013	2012
CAPITAL STOCK - P 0.25 par value			
Authorized - 10,000,000,000 shares			
Issued and Subscribed		2,469,193,512	2,442,493,512
Paid-up Capital Stock at beginning of year	₱	617,298,378	610,623,378
Paid-up Capital Stock at end of period/quarter	₱	617,298,378	610,623,378
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
DEPOSITS FOR FUTURE SUBSCRIPTION		0	0
REVALUATION INCREMENT IN OFFICE CONDOMINIUM		17,059,457	10,437,004
FAIR VALUE ADJUSTMENTS ON FINANCIAL ASSETS		17,843,211	(394,697)
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of the year		154,918,277	(91,624,127)
Net Income (Loss) for the period		(5,850,776)	31,164,675
Balance at end of period	₱	149,067,501	(60,459,452)
TOTAL	₱	833,967,907	592,905,593
Treasury Stock (at cost)		(3,240,000)	(3,240,000)
TOTAL STOCKHOLDER'S EQUITY		830,727,907	589,665,593

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SCHEDULE OF ACCOUNTS RECEIVABLES
As of March 31, 2013

Forum Energy Plc	₱	40,800,000
Receivable from Stockholders		1,718,887
Advances to Officers & Employees		87,225
Others		6,022,849
Less: Allowance for uncollectible accounts		(2,732,947)
	₱	**45,896,014**

Basic Energy Corporation. & Subsidiaries
Aging of Accounts Receivable
As of March 31, 2013

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	Pas 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) Forum PLC	**40,800,000**		-		40,800,000				
2) Advances to officers/employees	-								
3) Receivables from stockholders	**1,718,887**							1,718,887	
4) Others	**6,101,073**	2,733,448	783,097		1,646,087	163,412	352,685	422,345	
Subtotal	**48,619,960**	2,733,448	783,097	-	42,446,087	163,412	352,685	2,141,232	
Less: Allow. For Doubtful Acct.	**(2,723,947)**		(16,348)		(137,231)	(148,873)	(285,923)	(2,135,572)	
Net Non-trade receivable	**45,896,014**	**2,733,448**	**766,749**	-	**42,308,856**	**14,539**	66,762	5,660	-
Net Receivables (a + b)	**45,896,014**	**2,733,448**	**766,749**	-	**42,308,856**	**14,539**	**66,762**	**5,660**	

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, 2013

Accrued Expense Payables	₱	1,162,263
SSS/Philhealth/HDMF/BIR Payables		504,495
Others		1,019,183
Total	₱	**2,685,941**

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

Separate Financial Statements (PAS 27)

As a consequence of the new PFRS 10 and PFRS 12 what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Company presents separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

Investment in Associates and Joint Ventures (PAS 28)

As a consequence of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013. *The Company expects that this amendment will not have any impact on the Company's financial position and performance.*

Amendments to PFRS 1, First-time Adoption of PFRS – Borrowing Costs

Clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs. The amendment does not apply to the Company as it is not a first-time adopter of PFRS.*

Amendments to PFRS 7, Financial Instruments

Disclosures – Offsetting Financial Assets and Financial Liabilities, require and entity to disclose information about rights of set-off and related arrangements (such as collateral agreements).

The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information.

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

a. the gross amounts of those recognized financial assets and recognized financial liabilities;

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

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. *The amendment affects disclosures only and will have no impact on the Company's financial position and performance.*

Consolidated Financial Statements (PFRS 10)

PFRS 10 replaces the portion of PAS 27, Consolidated and Separate Financial Statements

That addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

A reassessment of control was performed by the Parent Company on its subsidiaries in accordance with the provisions of PFRS 10. *Following the reassessment, the Parent Company determined that it still controls the subsidiaries.*

Joint Arrangements (PFRS 11)

Joint Arrangements, replaces PAS 31, Interests in Joint Ventures and SIC-13 Jointly-controlled Entities (JCEs) – Non Monetary Contributions by Ventures .

PFRS 11 removes the option to account for JCEs using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013. *This standard will not impact the Company's financial position and performance.*

Disclosures of Interests and Other Entities (PFRS 12)

Disclosure of Interests with Other Entities, includes all of the disclosures related to consolidated financial statements that were previously included in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. *The adoption of PFRS 12 will affect disclosures only and have no impact on the Company's financial position or performance.*

Fair Value Measurement (PFRS 13)

Fair Value Measurement, establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. T*he Company does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.*

Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). The interpretation addresses the accounting for the benefit from the stripping activity. This interpretation becomes effective for annual periods beginning on January 1, 2013. *This new interpretation is not relevant to the Company.*

Significant Accounting and Financial Reporting Policies

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

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

Annual Improvements to PFRS (2009-2012 cycle)

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

The following improvements effective for annual periods beginning January 1, 2013 will have no impact on the Group:

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments) - require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendments) - clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs* - clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

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

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

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments* - clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that this amendment will not have any impact on its financial position and performance.

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

Financial Instruments Recognition And Measurements & Disclosure (PAS 39 & PFRS 7)

Classification and Measurment of Financial Instruments

As issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement.* Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

The Company has made an evaluation of the impact of the adoption of this standard. The Group decided not to early adopt PFRS 9 for its 2013 reporting ahead of its effectivity date on January 1, 2015 and therefore the financial statements and as of March 31, 2013 and 2012 do not reflect the impact of the said standard. Based on this evaluation, loans and receivables and other financial liabilities, both carried at amortized cost, will not be significantly affected. Upon adoption, these financial instruments shall continue to be carried at amortized cost, thus, has no impact to the Group's financial position and performance.

The Company shall conduct another impact assessment at the end of the 2013 reporting period using the financial statements as of and for the year ended December 31, 2012. Given the amendments on PFRS 9, the Group at present, does not plan to early adopt in 2013 financial reporting. It plans to reassess its current position once the phases of PFRS 9 on impairment and hedge accounting become effective.

The Company's decision whether to early adopt PFRS 9 for its 2013 financial reporting will be disclosed in the financial statements as of and for the year ending December 31, 2013.

The Company's receivables and accounts payable and accrued expenses may be affected by the adoption of this standard.

Financial assets are classified as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) financial assets and AFS financial assets, as appropriate. The classification depends on the purpose for which the financial assets are acquired and whether they are quoted in an active market. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities, as appropriate.

Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, reevaluates such designation at every reporting date.

As of March 31, 2013, the company has no HTM financial assets and the company has not reclassified any of its existing financial assets into and from above mentioned categories. The financial assets are maintained on their initial classifications.

The Financial Statement of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Financial Risk Management Objectives and Policies

The Group's financial instruments consist of cash and cash equivalents, cash investments receivables, AFS financial assets, accounts payables and dividends payable. Cash and cash equivalents, cash investments and AFS financial assets are being 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, equity price risk and credit risk. The Group has no significant exposure to interest rate risk as of December 31, 2012 and 2011. 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 Company's reported results. The Group is exposed to foreign exchange risk arising from its foreign currency-denominated cash, receivable and AFS financial assets accounts. The Group's policy is to minimize economic and material transactional exposures arising from currency movements against the Peso.

Equity price risk
Equity 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 balance sheets 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 March 31, 2013 and December 31, 2012. Therefore, the Group's maximum exposure to credit risk is equal to the carrying amount of its financial assets as of March 31, 2013 and December 31, 2012.

It is the Company'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 "satisfactory" 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 "satisfactory" 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 March 31, 2013 and December 31, 2012.

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 Company 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 interim period ended March 31, 2013

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.

Investments in Foreign Securities

Quoted shares consist of equity investments in FEC Resources, Inc., an independent company listed on the NASD OTC Bulletin Board and the Frankfurt and Munich Stock Exchanges, and Forum Energy Plc, a company listed on London AIM market. The fair values of these listed shares are based on their bid market price as of balance sheet date. Unquoted equity securities include unlisted shares of stock in which the Group will continue to carry as part of its investments. These are carried at cost less impairment, if any.

As of March 31, 2013 , investments in FEC Resources Inc. and Forum Energy Plc shares of stocks amounted to PhP 404,825 and PhP 301,040, respectively.

Significant Accounting Judgments and Estimates

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

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

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:

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

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

Financial assets are classified as financial assets at FVPL, loans and receivables, HTM financial assets and AFS financial assets. Financial liabilities, on the other hand, are classified as financial liabilities at FVPL and other financial liabilities.

The Group determines the classification at initial recognition and reevaluates the classification at every reporting date.

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
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/GSEC 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. Management has determined based on business forecast of succeeding years that there is no sufficient future taxable profits against which the deferred income tax assets will be utilized except for the deferred income tax assets related to the provision for impairment loss, unrealized foreign exchange losses and fair value adjustments on AFS financial assets and some portion of NOLCO.

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

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

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

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.

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.

Estimation of fair value of unquoted equity securities classified as AFS financial assets
Management believes that while the range of reasonable fair value estimates is significant, the probabilities of the various estimates cannot be reasonably assessed given the unquoted nature of these equity investments. As a result, the Group carries these financial assets at cost less any impairment in value.

Estimation of retirement benefits
The determination of the obligation and retirement benefits is dependent on management's assumptions used by the actuary in calculating such amount, expected rate of return on plan assets and salary projection rate. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods.

While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement obligations.

Determination of revalued amount of condominium units
The Group engaged an independent valuation specialist to determine the fair value of office condominium. Management agrees with the valuer's estimate of the fair value of the office condominium using the sales comparison approach.

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.

Financial Instruments

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

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

AFS financial assets
AFS financial assets in quoted equity instruments and quoted debt instruments are carried in the parent company balance sheets 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.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments valuation technique:

- Level 1: quoted prices in active markets for identical financial assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial Assets and Financial Liabilities
Financial assets are classified as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) financial assets and AFS financial assets, as appropriate. The classification depends on the purpose for which the financial assets are acquired and whether they are quoted in an active market. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities, as appropriate.

Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, reevaluates such designation at every reporting date.

Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

Initial recognition of financial instruments
Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those classified at FVPL, includes transaction costs.

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

Determination of fair value
The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments and all other financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis and other valuation models.

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss

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 profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Designated financial assets or financial liabilities at FVPL
Financial assets and financial liabilities at FVPL includes financial assets or financial liabilities held for trading, derivative financial instruments and those designated upon initial recognition as at FVPL.

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are classified at FVPL unless they are designated as effective hedging instruments or a financial guarantee contract. Dividends, interests, and gains or losses on financial instruments held for trading are recognized in profit or loss.

Financial instruments may be designated at initial recognition at FVPL when any of the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing the gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance are evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial instrument contains an embedded derivative that would need to be separately recorded.

Financial assets or financial liabilities at FVPL, are recorded in the consolidated balance sheet at fair value. Changes in fair value are recognized in profit or loss. Interest and dividend income or expense is recognized in profit or loss according to the terms of the contract, or when the right to the payment has been established.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. These financial assets are included in current assets if maturity is within 12 months from the reporting date or within the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

AFS financial assets
AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified in any of the three other categories. The Group designates financial instruments as AFS financial assets if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized directly in other comprehensive income, net of the related deferred income tax. The effective yield component of AFS debt securities are reported in profit or loss.

When the investment is disposed of, the cumulative gains or losses previously recognized in other comprehensive income is recognized in profit or loss. Interest earned on the investments is reported as interest income using the effective interest rate method. Dividends earned on investments are recognized in the profit or loss as "Dividend income" when the right of payment has been established. The Group considers several factors in making a decision on the eventual disposal of the investment. The major factor of this decision is whether or not the Group will experience inevitable further losses on the investment. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from the reporting date.

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

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

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

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet 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 financial asset and settle the financial liability simultaneously. This is not generally the case with master netting agreements and the related financial assets and financial liabilities are presented gross in the consolidated balance sheet.

Derecognition of Financial Assets and 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 right to receive cash flows from the asset has expired; or,
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to third party under a "pass-through" arrangement; or,
- the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement 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.

Financial liabilities
A financial liability is derecognized when the obligation under the liability was discharged, cancelled or has expired.

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 profit or loss.

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

Loans and receivables
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial assets, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of impairment loss shall be recognized in profit or loss.

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

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the

Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

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

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

In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally 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 profit or loss is removed from other comprehensive income (loss) and recognized in profit or loss.

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

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as a component of "Other income - net" 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 profit or loss, the impairment loss is reversed through profit or loss.

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

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

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" account, respectively, in the consolidated balance sheet.

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 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 profit or loss in the year of retirement or disposal.

Property and Equipment

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

Office condominium is carried at revalued amount less depreciation and any impairment in value charged subsequent to the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of the 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 balance sheet, net of the related deferred income tax liability. An annual transfer from the "Revaluation increment in office condominium" account to retained earnings (deficit) is made for the difference between the depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's original cost. Additionally, accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation increment relating to the particular asset sold is transferred to retained earnings (deficit).

The initial costs of property and equipment consist of their purchase price and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are recognized in profit or loss in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the 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 additional costs of the property and equipment.