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
   36359
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
   October 23, 2019 at 3:00 P.M. Dusit Thani Hotel, Arnaiz Avenue, Makati City
9. Approximate date on which the Information Statement is first to be sent or given to security holders
   Oct 1, 2019
10. In case of Proxy Solicitations:

    Name of Person Filing the Statement/Solicitor
    Not Applicable
    Address and Telephone No.
    N/A

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 shares	2,815,392,714

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

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

Basic Energy Corporation
BSC

PSE Disclosure Form 17-5 - 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	Oct 23, 2019
Type (Annual or Special)	Annual
Time	3:00 P.M.
Venue	Dusit Thani Hotel, Arnaiz Avenue, Makati City
Record Date	Oct 1, 2019

Inclusive Dates of Closing of Stock Transfer Books

Start Date	Oct 2, 2019
End date	Oct 23, 2019

Other Relevant Information
See attached SEC Form IS-20 Definitive

Filed on behalf by:

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

COVER SHEET

36359

SEC Registration Number

BASIC ENERGY CORPORATION

(Company's Full Name)

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

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

Atty. Angel P. Gahol

(Contact Person)

(632) 817-8596 & 98

(Company Telephone Number)

12 31		IS-20		06 30
Month *Day* (Calendar Year)		(Form Type)		*Month* *Day* (Annual Meeting)

DEFINITIVE

(Secondary License Type, If Applicable)

MSRD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

6,577

Total No. of Stockholders

n/a	**n/a**
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 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
SEP 16 2019
MARKET REGULATION DEPT.
BY: TIME: 9:31

1. Check the appropriate box:

   __ 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. October 23, 2019 at 3:00 P.M. at the Dusit Thani Hotel, Arnaiz Avenue, 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. October 1, 2019

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	2,815,392,714

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 2019 Annual Meeting of Stockholders of BASIC ENERGY CORPORATION (the Corporation) will be held on Wednesday, October 23, 2019, at 3:00 P.M. at the Dusit Thani Hotel, Arnaiz Avenue, 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 October 1, 2019.

APPROXIMATE DATE OF RELEASE OF PROXY STATEMENT AND PROXY FORM

Date: October 1, 2019

ITEM II – DISSENTERS' RIGHT OF APPRAISAL

The appraisal right of dissenting stockholders is governed by Sec. 80-85 of the Revised Corporation Code, which provide as follows:

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; (3) a merger and consolidation; and (4) investment of corporate funds for any purpose other than the primary purpose of the corporation. The dissenting stockholder who votes against any of the aforementioned proposed corporate action shall make a written demand on the corporation for payment of the fair value of his share(s), within thirty (30) calendar days from the date on which the vote was taken. Failure to make the written demand within such period shall be deemed a waiver of the appraisal right.

If the proposed corporate action is implemented, the corporation shall pay the stockholder, upon surrender of the certificate/s of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within sixty (60) days from the approval of the corporate action 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 stockholder shall forthwith transfer his shares to the corporation.

From the time of the demand by the dissenting stockholder until either the abandonment of the corporate action involved or the purchase of the shares by the corporation, all rights accruing to such shares, including voting and dividend rights shall be suspended. However, if the dissenting stockholder is not paid the value of his shares within the said 30 days after the award, his voting and dividend rights shall immediately be restored.

The right of the dissenting stockholder to be paid the fair value of his shares shall cease (i) if the demand for payment is withdrawn with the consent of the corporation, if the corporate action involved is abandoned or rescinded by the corporation or is disapproved by the Securities and Exchange Commission (SEC), if its approval is required, or if the SEC determines that the stockholder is not entitled to appraisal rights. In such cases, the status as stockholder shall be restored and all dividend distributions which would have been accrued on the shares shall be paid to the stockholder.

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 or nominee-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** – 4,660,267,714 shares (inclusive of subscribed and unpaid shares), as of August 31, 2019. 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** – October 1, 2019.

c) **Voting Rights** - At the annual meeting of stockholders, every stockholder entitled to vote shall have the right to vote the number of shares of stocks standing in his own name in the stock books of the corporation at the time of the meeting. In the election of directors, a stockholder may: (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit, provided that the total number of votes cast shall not exceed the number of shares owned by the stockholder as shown in the books of the corporation multiplied by the whole number of directors to be elected. No delinquent stock shall be voted.

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 August 31, 2019 are:

(1)Title of Class	(2)Name & Address of Record Owner & Relationship with Issuer	(3) Name of Beneficial Ownership and Relationship with Record Owner	(4)Citizen -ship of Record Owner	(5) No. of Shares Held & Nature of Ownership (Record/ Beneficial)	(6) Percent-age
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	2,375,902,213 (Record)	84.39%
Common Shares	Meta Corporation Public Company Limited (formerly Vintage Engineering Public Company Limited) 33/4 the 9th Towers, Grand Rama 9 Tower A, 36th Floor, Rama 9 Road, Huay Kwang, Huay Kwang, Bangkok, Thailand (no relationship with the Corporation)	N.A.	Company is registered in Thailand	255,274,202	9.07

*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.

Meta Corporation Public Company Limited (formerly Vintage Engineering Public Company Limited) or META is a listed company in the Stock Exchange of Thailand, and registered as a public company in Thailand with principal offices at 33/4 the 9th Towers, Grand Rama 9 Tower A, 36th Floor, Rama 9 Road, Huay Kwang, Huay Kwang, Bangkok, Thailand. It is one of the most active companies operating in the field of renewable energy in Thailand today.

Transforming from its initial business of mechanical and electrical engineering in 1992, META's business strategy is to be a fully integrated business focusing on developing a strong and robust portfolio of power plant projects, while expanding its engineering business as an EPC contractor and an O&M operator. Its current principal officers are Mr. Soraj Rojanabenjakul, Chairman of the Board of Directors and Chairman of the Executive Committee, Mr. Supasit Pokinjaruras, Chief Executive Officer, Mr. Aung Thiha, Executive Director and Mrs. Aranya No-in, Chief Financial Officer.

Three (3) PDTC participants hold more than five percent (5%) of the Corporation's total outstanding and issued common shares of stock, as of August 31, 2019, namely: Philstocks Financial, Inc. (243,662.973 shares) COL Financial Group, Inc., (162,130,646 shares), and Unicapital Securities, Inc. (143,879,064 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 August 31, 2019, out of the 2,815,392,714 issued and outstanding shares of the Corporation, 2,410,465,915 shares or 86.62% are held by the public, while 2,557,817,869 shares equivalent to 90.85% are held by Filipino citizens and 257,574,845 shares equivalent to 9.15% 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 August 31, 2019:

DIRECTORS

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership & Relationship w/ Beneficial Owner	Citizenship	Percentage
Common	Oscar C. De Venecia	110,000 (direct) 13,000,000 (indirect)	Filipino	0.46%
Common	Francis C. Chua	2 (direct) 13,000,000 (indirect)	Filipino	0.46%
Common	Ramon L. Mapa	268,635 (direct) 3,000,000) (indirect)	Filipino	0.35%
Common	Oscar L. De Venecia, Jr.	516,334 (direct) 9,025,000(indirect)	Filipino	0.12%
Common	Ma. Florina M. Chan	100,000 (direct) 13,000,000 (indirect)	Filipino	0.46%
Common	Eduardo V. Manalac	10,000 (direct) 8,000,000 (indirect)	Filipino	0.28%
Common	Jaime J. Martirez	10,000 (direct) 15,025,000 (indirect)	Filipino	0.53%
Common	Isidoro O. Tan	24,822,276 (direct) 13,000,000 (indirect)	Filipino	1.34%
Common	Oscar S. Reyes	10,000 (direct) 13,000,000 (indirect)	Filipino	0.46%
Common	Harvey L. N. Dychiao	10,000 (direct)	Filipino	.0%
Common	Srinarin Poudpongpaiboon	10,000 (direct)	Thai	0%
	TOTAL	**125,917,247**		**4.47%**

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, 000 (indirect)	Filipino	0.06%
Common	Corazon M. Bejasa	100,000 (indirect)	Filipino	-
Common	Angel P. Gahol	1,476 (direct)	Filipino	-
	TOTAL	**1,754,661**		**0.06%**

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	25,757,247(direct) 100,050,000(indirect)	Filipino	0.95% 3.69%
	Executive Officers as a Group	304,661(direct) 1,550,000 (indirect)	Filipino	0.01% 0.05%
	TOTAL	**127,671,908**		**4.70%**

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
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
Srinarin Poudpongpaiboon	May 7, 2019 up to the present
Oscar S. Reyes	April 04, 2007 up to the present
Isidoro O. Tan	1993 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. Francis C. Chua, Mr. Ramon L. Mapa, Mr. Oscar L. De Venecia, Jr., and Mr. Harvey Lawrence N. Dychiao as members, has approved the nomination of the following as directors for election at the annual meeting of stockholders:

Oscar C. De Venecia (incumbent director)
Francis C. Chua (incumbent director)
Ramon L. Mapa (incumbent director)
Oscar L. de Venecia, Jr. (incumbent director)
Ma. Florina M. Chan(incumbent director)
Harvey Lawrence N. Dychiao (incumbent director)
Eduardo V. Manalac (incumbent director)
Jaime J. Martirez (incumbent director)
Srinarin Poudpongpaiboon (incumbent director)
Oscar S. Reyes (incumbent director)
Isidoro O. Tan (incumbent director)

From the above nominees, the following are nominated as Independent Directors:

Harvey Lawrence N. Dychiao (incumbent director)
Eduardo V. Manalac (incumbent director)
Oscar S. Reyes (incumbent director)

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 Manual of Corporate Governance. None of the directors and officers of the Corporation are connected with any government instrumentality, agency or office.

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, Section 38 of the Securities Regulation Code and the Code of Corporate Governance for Publicly Listed Companies. The independent directors-nominees, namely: Harvey Lawrence 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 judgments in carrying out their responsibilities as independent directors.

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

Nominee	Nominating Party	Relationship
Harvey Lawrence 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 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 Committee, which reviews the audit plans, reports and findings of the internal and external auditors of the Corporation, among others, are:

Oscar S. Reyes (Independent Director)	-	Chairman
Harvey L. N. Dychiao (Independent Director)	-	Member
Eduardo V. Manalac (Independent Director)	-	Member
Jaime J. Martirez	-	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
Francis C. Chua	-	Member
Oscar L. De Venecia, Jr.	-	Member
Ramon L. Mapa	-	Member
Harvey L. N. Dychiao (Independent Director)	-	Member

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

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

The present members of the Risk Committee, which is in charge of identifying the risks involved in all project and investment proposals, assessing its impact on the Corporation and adopting policies for the management of these risks, are:

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

The following are the incumbent officers of the Corporation:

Oscar C. De Venecia	Chairman
Oscar L. De Venecia, Jr.	President & CEO
Alain S. Pangan	VP for Finance
Corazon M. Bejasa	VP - Corporate Secretary
Alberto P. Morillo	VP for Operations
Angel P. Gahol	AVP-Compliance Officer
Darius A. Marasigan	Risk Management Officer

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 2019-2020, and present key officers of the Corporation, and their business experiences for the last five (5) years:

DIRECTORS

OSCAR C. DE VENECIA, 87 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 Biofuels Corporation , Basic Diversified Holdings, Inc., Basic Geothermal Energy Corporation, Basic Renewables, Inc.,. iBasic, Inc., and Southwest Resources, Inc.,

He is a member of the Advisory Board of the Philippines Trade Foundation and 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 was the Honorary Consul General of Ukraine in the Philippines and Past Dean of the Consular Corps of the Philippines. On September 12, 2017, he was awarded the Distinguished Service Award from the Ministry of Foreign Affairs of Ukraine. He is a 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 was one of the Ten Most Outstanding Alumni in 1980 in the field of Civil Engineering and in the field of Civic Involvement in 1991, conferred by the Mapua Institute of Technology and National Association of Mapua Alumni; one of the Ten Most Outstanding Civil Engineers of the Philippines in 1980 conferred by the Philippine Institute of Civil Engineers; one of the 1981 Ten Most Outstanding Citizens of Dagupan City in the category of Business and Industry; one of the recipients of a Presidential Commendation on the discovery of commercial oil in the West Linapacan Field, from President Corazon C. Aquino on January 19, 1992; awarded a Plaque of Appreciation in recognition of his achievements as Chairman of the National PolioPlus Committee in the Philippines, Department of Health from President Fidel V. Ramos and an awardee of the "Chevalier Dans L'Ordre National Du Merite" from the French Government on February 10, 2004.

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 (1992-2001) when the Philippines was certified Polio Free by the WHO on October 29, 2000; 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, and the Polio Plus Pioneer Service Award from the Rotary International Foundation Trustees for 2017-2018. 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 conferred the degree of Doctor of Humanities (Honoris Causa) by the Central Luzon State University on June 30, 2017.

FRANCIS C. CHUA, 69 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 is a member of the Board of Governors of the Philippine Stock Exchange, Vice Chairman of Bank of Commerce (a director since 2008) and a director of NGCP since 2009.

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.

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, 75 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 the Vice Chairman and Treasurer of Sicogon Development Corporation, 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., 52 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 Renewables, Inc. and Basic Biofuels Corporation, and 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 from February 18, 2011 to March 15, 2019.

He obtained his degree in Bachelor of Arts in Economics from Fordham University, New York City, in 1996.

MA. FLORINA M. CHAN, 63 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, 41 years old, Filipino, is an Independent Director of the Corporation (a director since July, 2015). He is the Managing Director of Bonifacio Capital Group, Inc. He is a New York and Philippine-qualified lawyer with extensive transactional experience in mergers and acquisitions, venture capital and financings. His experience includes advising in relation to project development, capital raisings, privatizations, and structured finance transactions. His sector focus includes energy, retail, mining, real estate, consumer finance and goods. He was a member of the privatization and special projects team of the Department of Finance of the Philippines. He attended Harvard Law School.

EDUARDO V. MAÑALAC, 73 years old, Filipino, and is an Independent Director of the Corporation (a director since October, 2009). He is the President of TransEnergy International Limited and Vires Energy Corporation Philippines. 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 Latin America/Asia/Former Soviet Union 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 2001, and its first-ever Foreign Model Worker Award in 2002.

Mr. Mañalac attended the University of the Philippines in Diliman, Q.C. Philippines, which conferred on him an Outstanding Alumni Award in 2005. 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, 65 years old, Filipino, is a director of the Corporation and its subsidiaries since October, 2007. He is the Chairman of the Executive Committee of the Unicapital Group. He is also the President and Chief Executive Officer of Unicapital Finance and Investments, Inc., Unicapital, Inc., and Unicapital Securities, Inc. on a concurrent capacity. He holds other key positions in several private and publicly listed corporations that are engaged in the fields of real estate, water distribution and information technology. He is a director of Majalco, Inc., a diversified holding corporation, in Malayan Savings Bank, in Acme Pawnshops, Inc. and in MJ Holdings, Inc., a real estate company engaged in commercial property development in the Makati Central Business District and President of Unoventure, Inc., a PEZA registered enterprise facilities provider. He also sits as Director of Des Eaux Utilities Co., Inc., a bulk water provider of several local water districts in Bulacan.

Mr. Martirez is a member of the Makati Business Club, charter member of the Makati Rotary Club and past director of the Philippine Finance Association. He has acquired and developed professional expertise in the field of Investment Banking for the last 41 years, since 1976.

He obtained his degree in Business Administration from De La Salle University in 1975 and completed his post graduate courses from the Ateneo Graduate School of Business in 1979.

SRINARIN POUDPONGPAIBOON, 36 years old, a Thai national, was recently elected as director of the Corporation. She is presently the Deputy Managing Director of Green Earth Power (Thailand) Company Limited, an affiliate of Meta Corporation and two (2) other prominent publicly listed companies in Thailand, which is the owner of the 220 MW Minbu Solar Power Plant project in Myanmar. Prior to this position, in 2016, she was the Senior Manager, Development and Investment Division of Singha Estate Public Company Limited (Thailand) and earlier, she was Assistant Vice President, Senior Analyst- Real Estate Sector Head (Research and Analysis) of Siam Commercial Bank Public Company Limited (Thailand).

She obtained a Master of Science degree in Real Estate Development from Columbia University, New York, USA, in 2009 and a Bachelor of Business Administration (International Program) from Thammasat University (Thailand) in 2003, graduating with Second-Class Honours.

OSCAR S. REYES, 73 years old, Filipino, and a director of the Corporation and its subsidiaries since June 2007. He was the President and Chief Executive Officer of the Manila Electric Corporation and Chairman/Director of various Manila Electric Company Subsidiaries and Affiliates until May 31, 2019. Among his other current positions are: Member of the Advisory Board of Philippine Long Distance Telephone Company, and Member of the Advisory Council of the Bank of the Philippine Islands. He is the Chairman of Pepsi Cola Products Philippines, Inc., and a director of PLDT Communications & Energy Ventures Inc., and the Asian Eye Institute. He is an independent director of Manila Water Co., Cosco Capital Inc., Sun Life Financial Plans, Inc., Sun Life Prosperity Funds, Grepalife Dollar Bond Fund Corporation, Grepalife Fixed Income Fund Corporation, Grepalife Bond Fund Corporation, Petrolift Inc. and Eramen Minerals, Inc. He was recently elected as Independent Director of the Philippine Dealing System Holdings Corp., Philippine Dealing & Exchange Corporation, Philippine Depository & Trust Corporation, Philippine Securities Settlement Corporation and Team Energy Corporation. Prior to the above positions, 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 finished his Bachelor of Arts Major in Economics (Cum Laude) degree 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, 71 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 thirty (30) years. He obtained his degree in Bachelor of Science in Industrial Engineering at the Adamson University in 1969.

OFFICERS

CORAZON M. BEJASA, 72 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 obtained her Bachelor of Laws from the University of Santo Tomas, graduating with Magna Cum Laude honours in 1972 and placed No. 8 in 1972 Bar Examinations.

ALBERTO P. MORILLO, 64 years old, Filipino, is the Vice-President for 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. 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.

ALAIN S. PANGAN, 40 years old, Filipino, a Certified Public Accountant, and was engaged as Vice President for Finance effective January, 2018. He was the Investment and Treasury Manager of Enfinity Philippines Services, Inc., a renewable energy company with international activities in solar and wind energy, for more than three (3) years prior to his employment with the Company. He had more than five (5) years of audit, compliance and consulting work with reputable Philippine audit firms. He obtained his Bachelor of Accountancy degree from the Far Eastern University in 2003.

ANGEL P. GAHOL, 66 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 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.

DARIUS A. MARASIGAN, 48 years old, Filipino, is the Risk Management 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. He graduated from the Mapua Institute of Technology with a Bachelor of Science degree in Electrical Engineering, in 1994.

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 or judgment 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 August 31, 2019.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

(1) On June 15, 2017, the Company signed an Investment Term Sheet with Solmax Power Limited, (Solmax) a limited company incorporated in Hong Kong, which is into acquiring, investing and developing solar projects in Japan. The Company planned to invest in Solmax up to 80% of the equity thereof, subject to satisfactory results of the due diligence work to be conducted by the Company on Solmax and its solar projects. To enable the Company to undertake the due diligence work, the Company made a refundable earnest money deposit with Solmax in the amount of JPY 50,000,000.00 on July 14, 2017. However, with the termination of the due diligence work, the refundable deposit was returned in December, 2018 and formed part of the cash balance of the Company as of December 31, 2018.

a) The transaction refers to a refundable earnest money deposit transaction made with Solmax, which shall be converted to equity, upon satisfactory results of the due diligence work conducted on Solmax and its solar projects. The deposit was made also to secure exclusivity in the negotiations on the Company's equity investment in Solmax.

b) Vintage Holding Japan Company Limited, which is a wholly owned subsidiary of Vintage Engineering Public Company Limited (now Meta Corporation Public Company Limited), a publicly listed company registered in Thailand, and a shareholder of the Company, will also invest in Solmax, subject to favourable due diligence work results.

c) There was no transaction price for the equity investment which was agreed by the parties as the due diligence work conducted by the Company on Solmax and its solar projects was not completed.

d) There was no fairness opinion required for the transaction.

e) The due diligence work on Solmax and its solar projects could not be completed and was thus terminated as of September 28, 2018.

(2) On November 9, 2017, the Company signed an Investment Term Sheet with Vintage Engineering Public Company (VTE) (now Meta Corporation Public Company Limited), a publicly listed company registered in Thailand, and a shareholder of the Company, to invest in Vintage EPC Co. Ltd. (VEPC) and Vintage International Construction Co. Ltd. (VINTER), which are limited companies registered in Thailand and which are then wholly owned by VTE, subject to satisfactory results of the due diligence work to be conducted by the Company on said companies and their projects.

VEPC and VINTER are the first counter-parties of GEP (Myanmar), the owner-developer of the 220 MW solar power plant located in the Minbu District, Magway region, Myanmar, for the supply and construction service requirements of the Engineering, Procurement and Construction (EPC) subcontractor engaged for the said project. The Company planned to invest up to 15% of the total equities of VEPC and VINTER, with an option to increase up to 20%. As of December 31, 2017, the Company had remitted a total amount of Php133,284,474.91 as a refundable earnest money deposit to enable the Company to conduct said due diligence work and to secure exclusivity in the negotiations on the Company's equity investments in VEPC and VINTER. This amount was part of "Refundable Deposits" booked under the "Assets" account in the Company's 2017 financial statements. After satisfactory due diligence and upon finalizing the investment in both aforementioned Thailand-based EPC companies on July 02, 2018, this amount was reclassified to "Investment in Associates" in the Company's 2018 financial statements. Total balance of "Investment in Associates" account of the Company in relation to the equity investment in VEPC and VINTER amounted to Php214,816,955.00 as of August 31, 2019.

a) The transaction originally referred to a refundable earnest money deposit transaction made with VTE, to be converted to equity in VEPC and VINTER, upon satisfactory results of the due diligence work conducted on VEPC and VINTER and its EPC contracts. Upon execution of the Share Purchase Agreements on June 27, 2018, the refundable earnest money deposit was applied to the equity contributions of the Company, as stipulated in said agreements.

b) Meta Corporation is one of the significant shareholders of the Company with total holdings of 9.07% of the total issued and outstanding shares of the Company, as of August 31, 2019.

c) The transaction price for the equity investments in VEPC and VINTER was mutually agreed by the parties and stipulated in the Share Purchase Agreements executed by the parties on June 27, 2018.

d) There was no fairness opinion required for the transaction.

e) The due diligence work on the said companies has been completed and the Share Purchase Agreements were signed on June 27, 2018.

3) On November 23, 2017, Vintage Engineering Public Company Limited (VTE) (now Meta Corporation Public Company Limited), a publicly listed company registered in Thailand and an existing shareholder of the Company, subscribed to an additional 104,816,332 shares of the Company at a subscription price of Php0.32 per share. On July 23, 2018, Meta Corporation subscribed to an additional 106,892,000 shares of the Company at a subscription price of Php0.25 per share.

a) The transactions were subscriptions by VTE/ Meta Corporation to additional shares of stock of the Company, the proceeds of which are to be used for the Company's equity investment in VEPC and VINTER and part as working capital of the Company.

b) VTE is one of the significant shareholders of the Company with total holdings of 9.07% of the total issued and outstanding shares of the Company, as of June 30, 2019.

c) The subscription price of Php0.32 per share for the 104,816,332 shares was a mutually agreed price, based on a projected market value of the Company's shares, resulting from the increase in the paid-in capital of the Company due to additional subscriptions made by VTE/ Meta Corporation, while the subscription price of Php0.25 per share for the 106,892,000 shares was based on the par value of the shares of the Company.

d) There was no fairness opinion required for the transaction.

e) In an agreement executed with VTE on February 14, 2017, VTE has agreed to subscribe to shares of stock the Company, up to 9% of the total issued and outstanding shares of the Company.

4) On December 6, 2017, the Company signed an Investment Term Sheet with Innocent Biomass Power GK (IBP), a limited liability company incorporated in Japan, which is into acquiring and developing biomass projects in Japan. The Company planned to invest in IBP up to 10% of the equity thereof, upon satisfactory results of the due diligence work to be conducted by the Company on IBP and its biomass project. To enable the Company to undertake the due diligence work, the Company made a refundable earnest money deposit with IBP in the amount of JPY34,063,800.00 on December 12, 2017. The peso equivalent of this amount is part of the "Refundable Deposits" booked under the "Assets" account in the Company's 2018 financial statements.

a) The transaction refers to a refundable earnest money deposit transaction made with IBP, which shall be converted to equity, upon satisfactory results of the due diligence work conducted on IBP and its biomass project. The deposit was also made to secure exclusivity in the negotiations on the Company's equity investment in IBP.

b) Vintage Holding Japan Company Limited, a limited company registered in Thailand and which is a wholly owned subsidiary of Vintage Engineering Public Company Limited, (now Meta Corporation Public Company Limited), a publicly listed company registered in Thailand, and a shareholder of the Company, will also invest in IBP, subject to satisfactory results of the due diligence work.

c) No transaction price for the equity investment was agreed upon by the parties as the due diligence work conducted by the Company on IBP and its biomass project was not completed.

d) There was no fairness opinion required for the transaction.

e) The project was not pursued as the due diligence work on IBP and its biomass project was terminated as of end March, 2019.

(5) On December 6, 2018, the Company signed an Investment Term Sheet with Solmax Electric Power Holdings IV Company Limited, (Solmax IV), a limited company incorporated in Taiwan, which is into acquiring, investing and developing solar rooftop projects and other solar projects in Taiwan. The Company planned to invest in Solmax IV up to 80% of the equity thereof, subject to satisfactory results of the due diligence work to be conducted by the Company on Solmax IV and its solar projects. To enable the Company to undertake the due diligence work, the Company made a refundable earnest money deposit with Solmax IV in the amount of about US Dollars 444,960.75 on January 3, 2019. The peso equivalent of this amount is part of "Refundable Deposits" booked under the "Assets" account in the Company's 2019 financial statements.

a) The transaction refers to a refundable earnest money deposit transaction made with Solmax IV, which shall be converted to equity, upon satisfactory results of the due diligence work conducted on Solmax IV and its solar projects. The deposit was made also to secure exclusivity in the negotiations on the Company's equity investment in Solmax IV.

b) There was no transaction price for the equity investment which was agreed by the parties as the due diligence work conducted by the Company on Solmax IV and its solar projects was not completed.

c) There was no fairness opinion required for the transaction.

d) The equity investment in Solmax IV was not pursued as the due diligence work on Solmax IV and its solar projects was terminated as of end May, 2019.

(6) For the past three (3) years, there were no related party transactions with other parties that fall outside of the definition of "related parties" under PAS/IAS No. 24 but with whom such parties may be able to negotiate terms of material transactions with the Company that may not be available from other clearly independent parties on an arm's length basis.

There has been no material transaction during the past three (3) years, nor was there any material transaction, contractual or other commitments, currently on-going or being proposed, to which the Company was or is to be a party with any incumbent director and/or executive officer of the Company, disclosed or required to be disclosed in the financial statements of the Company pursuant to PAS/IAS No. 24.

In the normal course of business, the Company 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 **Corazon M. Bejasa** VP & Corporate Secretary **Alberto P. Morillo** VP-Operations **Alain S. Pangan** VP-Finance				
Total	*2019* *2018* *2017*	7,547,241 (estimated) 11,102,118 9,326,096	628,937 (estimated) 817,079 751,205	- - -
All Other Officers as a Group Unnamed	*2019* *2018* *2017*	1,484,613 (estimated) 2,535.529 2,535,529	123,718 (estimated) 200,563 200,563	- - -

The Directors of the Corporation do not receive compensation from the Corporation, except per diems for attendance at Board and Committee Meetings at Php17,325.00 and Php 8,663.00 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 August 31, 2019, 117,625,000 SOP 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 2018. The same auditing firm is being recommended for appointment as the Corporation's external auditor for the year 2019 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, 2018 included the examination of the books and consolidated financial statements of the Corporation and its subsidiaries, 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 2017 and 2018 were Php620,000.00 and Php 640,500.00, respectively. The audit fees for 2017 were fully paid as of May 21, 2018, while the audit fees for 2018 were fully paid on May 29, 2019.

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 financial statements of the Corporation for the fiscal year 2019, subject to approval by the stockholders. In compliance with SRC Rule 68, paragraph 3(b)(iv) (Rotation of External Auditors), Ms. Leovina Mae V. Chu, was assigned as partner-in-charge beginning with the 2017 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

The Board of Directors, in its meeting held on May 7, 2019 approved the increase in the Corporation's authorized capital stock from Php2.5 Billion consisting of 10 Billion shares to Php5.0

Billion consisting of 20 Billion shares, subject to the approval of stockholders at the annual stockholders meeting, in anticipation of the entry of a new investor. However, to date, discussions are still on-going on the results of the due diligence work on the Corporation.

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) 2018 Audited Financial Statements

The 2018 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: Leovina Mae V. Chu
C.P.A. Certificate No. 99910
SEC Accreditation No. 1712-A (Group A) issued on October 18, 2018 valid until October 17, 2021
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2018, February 2, 2018 valid until February 1, 2021
PTR No 7332629, January 3, 2019, Makati City

The Consolidated Audited Financial Statements of the Corporation as of December 31, 2018 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 2017 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, 2018, namely:

i. Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions. Adoption of these amendments did not have any impact on the Group's consolidated financial statements;

ii. Adoption of PFRS 9, Financial Instruments. PFRS 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 Corporation has provided the required information in the Notes to the 2018 consolidated financial statements; and

iii. Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9 with PFRS 4. The amendments were not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

iv. Adoption of PFRS 15, Revenue from Contracts with Customers. PFRS 15 supersedes PAS 11, Construction Contracts, PAS 18, Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. Adoption of the standard did not have a significant impact on the consolidated financial statements.

v. Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014–2016 Cycle). The adoption of these amendments did not have any impact on the consolidated financial statements.

vi. Amendments to PAS 40, Investment Property, Transfers of Investment Property. The Group's current practice was in line with the clarifications issued, the adoption of these amendments did not have any significant effect on its consolidated financial statements.

vii. Adoption of Philippine Interpretation IFRIC 22, Foreign Currency Transactions and Advance Consideration. The Group's current practice was in line with the clarifications issued, the adoption of these interpretations did not have any significant effect on its consolidated financial statements.

The abovementioned amendments were applied retrospectively. However, their application has no effect on the Corporation's financial position and performance as the Corporation has no deductible temporary differences or assets that are in the scope of the amendments.

The above changes were disclosed in the Consolidated Audited Financial Statements of the Corporation as of December 31, 2018.

(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) 2018 Management Report;
(3) Statement of Management's Responsibility for the 2018 ACFS;
(4) Audited Consolidated Financial Statements (ACFS) of the Corporation as of December 31, 2018; and
(5) Interim Unaudited Financial Statements for the 1st Quarter and 2nd Quarter of 2019.

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 submitted in the annual meeting of stockholders:

(a) Approval of the Minutes of the 2018 Annual Stockholders' Meeting held on June 27, 2018, which contain the following:

- Approval of the Minutes of the 2017 Stockholders' Meeting.
- Notation of the 2017 Management Report and the 2017 Audited Financial Statements.
- Ratification of all acts done by the Board of Directors and Management for the term 2017-2018.
- Election of the Directors of the Corporation for the term 2018-2019; and
- Creation of preferred shares and a corresponding amendment of Article Seventh of the Amended Articles of Incorporation of the Corporation; and
- Appointment of SGV & Co. as the external auditor for the fiscal year 2018.

(b) Notation of the 2018 Management Report which shall include material information on the current top twenty (20) stockholders of the Corporation and a detailed description and assessment of the performance of the Corporation in 2018 and the plan for operations for 2019;
(c) Notation of the Audited Consolidated Financial Statements for the year ending December 31, 2018, which shall include a statement of the adequacy of internal controls and risk management systems, statement of external audit and non-audit fees, if any; dividend policy and in case of non-payment of dividends, the reasons therefor;
(d) Ratification of all acts of the Board of Directors and Management for the period covering the term 2018-2019, a list of which shall be attached in the agenda and shall be furnished to all stockholders of the Corporation at the annual meeting of stockholders.
(e) Election of the Members of the Board of Directors including Independent Directors for the ensuing year, which shall be preceded by a presentation of the material information on the nominees, their profiles, attendance report, appraisal and performance report, compensation report and disclosures on self-dealings and related party transactions, if any;
(f) Approval of the increase in the authorized capital stock of the Corporation from Php2.5 Billion consisting of 10 Billion shares to Php5.0 Billion consisting of 20 Billion shares and the corresponding amendment of Article Seventh of the Amended Articles of Incorporation;
(g) Approval of the amendment of Article II of the Amended By-Laws of the Corporation by adding a new section as Section 10 creating the position of Chairman Emeritus; and
(h) Appointment of SGV & Co. as External Auditors for the 2019 financial statements.

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

The following amendments to the Amended Articles and Amended Bylaws of the Corporation shall be submitted for stockholders' approval at the annual meeting of stockholders:

a) Article Seventh of the Amended Articles of Incorporation increasing the authorized capital stock of the Corporation from Php2.5 Billion consisting of 10 Billion shares to Php5.0 Billion consisting of 20 Billion shares; and
b) Article II of the Amended By-Laws adding a new section as Section 10 creating the position of Chairman Emeritus.

ITEM XVIII - OTHER PROPOSED ACTIONS

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

ITEM XIX - VOTING PROCEDURES

(a) VOTE REQUIRED

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.. There are no matters to be taken up in the annual meeting of stockholders which will require the affirmative vote of at least two thirds ($^{2}/_{3}$) of the outstanding and issued capital stock of the Corporation.

(b) ELECTION OF DIRECTORS

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) METHOD OF COUNTING VOTES

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 2018 Management Report, the 2018 Consolidated Audited Financial Statements of the Corporation, Statement of Management's Responsibility for the 2018 Audited Financial Statements and the Interim Unaudited Financial Statements for the 1st Quarter of 2019.

The Corporation will provide without charge each person solicited, on the written request of any such person, a copy of the Corporation's Annual Report for 2018 (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

At the discretion of Management, a charge may be made for exhibits, provided the charge is limited to reasonable expenses incurred by the Corporation in furnishing the exhibits.

Copies of resolutions of the Board of Directors, since the 2018 Annual Stockholders' Meeting, are available for examination during office hours at the office of the Corporate Secretary.

PART II

SOLICITATION INFORMATION

ITEM I - IDENTIFICATION

BASIC ENERGY CORPORATION, IN ITS BEHALF, IS SOLICITNG PROXIES IN CONNECTION WITH ITS ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON OCTOBER 23, 2019 at 3:00 P.M. AT DUSIT THANI HOTEL, ARNAIZ AVENUE, MAKATI CITY.

ITEM II - INSTRUCTIONS

a) The proxy form attached to this Information Statement shall be used for the 2019 Annual Stockholders Meeting, 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 President of the Corporation. A stockholder may submit a proxy for the 2019 Annual Stockholders Meeting and subsequent meetings of stockholders, for a period not to exceed five (5) years as provided by law.

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 October 15, 2019.

g) The Committee of Inspectors designated by the Board of Directors shall validate the proxies on October 18, 2019 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, mailing and publication costs estimated at about Php600,000.00 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.

(Part III Follows)

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 September 3, 2019, at Makati City.

OSCAR L. DE VENECIA, JR.
President & CEO

ALAIN S. PANGAN
Vice President for Finance

CORAZON M. BEJASA
Corporate Secretary

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 Dusit Thani Hotel, Arnaiz Avenue, Makati City, on Wednesday, October 23, 2019 at 3:00 p.m**., with the following agenda:

AGENDA

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 27, 2018
4. Presentation of the 2018 Annual Report
5. Presentation of the 2018 Audited Consolidated Financial Statements
6. Ratification of All Acts of the Board and Management for 2018-2019
7. Election of Directors for the Term 2019-2020
8. Proposed Amendment of Article Seventh of the Amended Articles of Incorporation increasing the authorized capital stock from Php2.5 Billion to Php5 Billion
9. Proposed Amendment of Article II of the Amended By-Laws by adding a new section as Section 10 creating the position of Chairman Emeritus
10. Appointment of External Auditors for the 2019 Financial Statements
11. Other Matters
12. Adjournment

Only stockholders of record at the close of business on October 1, 2019 are entitled to notice of, and to vote at this meeting. For this purpose, the Stock and Transfer Books of the Corporation shall be closed from October 2 to 23, 2019.

In case you cannot attend in person, please accomplish the attached Proxy Form and mail or deliver the same at the principal office of the Corporation at the 7th Floor, Basic Petroleum Building, 104 C. Palanca, Jr. St., Legaspi Village, Makati City, on or before October 15, 2019. Validation of proxies will be on October 18, 2019 at 3:00 p.m. at the principal office of the Corporation.

Please find attached the processes for the nomination and election of directors and the list of actions taken by the Board of Directors and Management for the term 2018-2019. You may access the 2019 Definitive Information Statement and its attachments by opening this link **http://bit.ly/2kyao6C** or by scanning the QR Code below.

Minutes of the 2018 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, September 3, 2019.

CORAZON M. BEJASA
Corporate Secretary

PROXY FORM
ANNUAL STOCKHOLDERS' MEETING
October 23, 2019 – 3:00 P.M.
DUSIT THANI HOTEL
Arnaiz Avenue, Makati City

The undersigned stockholder of **BASIC ENERGY CORPORATION** (the "Corporation"), hereby appoints, names and constitutes the Chairman of the Board, or in his absence, the President & CEO 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 October 23 2019 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 27, 2018 Meeting				
2.	Notation of the 2018 Annual Report and the 2018 Audited Consolidated Financial Statements				
3.	Ratification of all acts of the Board and Management for 2018-2019				
4.	Election of Directors				**Authority to Vote Withheld**
	Oscar C. De Venecia				
	Francis C. Chua				
	Ramon L. Mapa				
	Oscar L. De Venecia, Jr.				
	Ma. Florina M. Chan				
	Jaime J. Martirez				
	Srinarin Poudpongpaiboon				
	Isidoro O. Tan				
	Harvey L.N. Dychiao (Independent Director)				
	Eduardo V. Manalac (Independent Director)				
	Oscar S. Reyes (Independent Director)				
5.	Approval of the amendment to Article Seventh of the Amended Articles of Incorporation Increasing the Authorized Capital Stock from Php2.5 Billion to Php5 Billion				
6.	Approval of the amendment to Article II of the Amended Bylaws adding a new section as Section 10 creating the position of Chairman Emeritus.				
7.	Appointment of SGV & Co. as External Auditor				

The above-named nominees were screened and pre-qualified in accordance with the Corporation's Manual of Corporate Governance and the Code of Corporate Governance for Publicly Listed Companies.

Signed this ____________, 2019 at ______________.

____
Signature of Stockholder over Printed Name

Notes:

(a) All proxies for the meeting should be received by the Corporate Secretary **on or before October 15, 2019**.
(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 authorizing the said officer to execute said proxy.

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

Basic Energy Corporation

Nomination Process

(i) The Board of Directors sets the date, time and venue for the year's annual stockholders meeting in its regular meeting for the month of February or March, at the latest. The Compliance Officer discloses to the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE) the setting of the annual stockholders' meeting immediately after the Board meeting.

(ii) Any stockholder may submit nominations for election as members of the Board after the disclosures to the SEC and the PSE. Nominations shall be signed by the nominating stockholder and accepted and signed by the would-be nominee and submitted to the Nominating Committee at any time before the Committee submits the Final List to the Board.

(iii) The Nominating Committee pre-screens the would-be nominees, ensuring that they possess all the qualifications and that they do not possess any of the disqualifications for directors as prescribed in the Manual on Corporate Governance, the Company's By-Laws and other applicable laws and regulations.

(iv) The Nominating Committee shall have the right to require the nominating stockholder to submit a resume of the would-be nominee and such other documents as may be necessary for the Nomination Committee to undertake its pre-screening functions.

(v) After the pre-screening process, the Nominating Committee prepares a Final List of all nominees and submits the list to the Board of Directors for approval, complete with the information required by the Securities Regulation Code.

(vi) The Final List of Nominees as approved by the Board shall be immediately disclosed to the SEC and the PSE. The Final List of Nominees is reported in the definitive Information Statement furnished to all stockholders prior to the stockholders' meeting. In case a nominee is not included in the Final List, the Corporate Secretary shall accordingly advise, in writing, the nominating stockholder and his/her nominee.

(vii) Only nominees whose names appear on the Final List of Nominees shall be eligible for election as directors. No other nomination shall be entertained after the Final List of Nominees shall have been disclosed and submitted to the SEC and the PSE. No further nominations shall be entertained or allowed on the floor during the actual stockholders' meeting.

Election Process

(i) The election of directors shall be part of the regular agenda for the annual stockholders meeting.

The election of directors shall be preceded by a presentation of the material information on the nominees, their profiles, attendance report, appraisal and performance report, compensation report and disclosures on self-dealings and related party transactions, if any;

(ii) At the annual meeting of stockholders, every stockholder entitled to vote shall have the right to vote the number of shares of stocks standing in his own name in the stock books of the corporation at the time of the meeting. In the election of directors, a stockholder may: (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit, provided that the total number of votes cast shall not exceed the number of shares owned by the stockholder as shown in the books of the corporation multiplied by the whole number of directors to be elected.

(iii) No delinquent stock shall be voted.

(iv) 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 by the Corporate Secretary in favour of the nominees. If the number of nominees exceeds the number of directors to be elected, voting will be done by ballot.

(v) The top eleven (11) nominees with the most number of votes will be declared as the elected directors.

(vi) Counting of votes in the ballots will be done by the Corporate Secretary (or his authorized representatives) with the assistance of the representatives of the external auditors and/or the stock transfer agent of the Company.

(vii) All votes attaching to the shares of stock owned by stockholders whose proxies were received by the Corporate Secretary will be cast in accordance with the instructions given or authority granted under the proxies.

ACTIONS TAKEN BY THE BOARD OF DIRECTORS AND MANAGEMENT OF BASIC ENERGY CORPORATION FOR THE TERM 2018-2019

DATE OF MEETING	TYPE OF MEETING	ACTIONS TAKEN
June 27, 2018	Organizational Meeting	Elections of Directors of the Company and its subsidiaries for the term 2018-2019. Appointment of Members of the Advisory Board, Board Committees and Appointment of Officers for the term 2018-2019.
July 26, 2018	Regular Meeting	Approved the amended Charters of the Audit Committee and the Risk Committee.
August 30, 2018	Regular Meeting	Approved the recommendation of the Corporate Governance Committee to develop the performance appraisal parameters or standards and form, for the performance assessment of the Board, its committees and directors, for the term 2018-2019. Noted the Bylaw provisions on the required attendance of directors in Board meetings for at least 50% of the total meetings held during the term, and allowing attendance thru teleconferencing or videoconferencing.
September 28, 2018	Regular Meeting	Noted action taken by Management in not pursuing the solar projects in Japan and requesting refund of the refundable earnest money deposit.
November 8, 2018	Regular Meeting	Noted the report of the Audit Committee on the audit plan of SGV & Co. for the 2018 financial statements of the Company and its subsidiaries.
December 6, 2018	Regular Meeting	Authorized the President & CEO to sign a non-binding term sheet for a roof-top solar project in Taiwan, to allow the Company to conduct due diligence on the project and secure exclusivity in the negotiations with the project proponent. Authorized the President & CEO to sign a non-binding term sheet for a solar power plant project in Biliran, Eastern Visayas to allow the Company to conduct due diligence on the project. Approved the Budget for 2019 of the Company at Php 61.943 Million. Authorized the President & CEO to sign a non-binding Term Sheet with a prospective new investor to conduct due diligence on the Company.
January 31, 2019	Regular Meeting	Approved the engagement of PJS Law as the external counsel of the Company to review definitive agreements which may be entered into by the Company with a prospective new investor.
February 28, 2019	Regular Meeting	Authorized the President & CEO to negotiate the engagement fee for a financial consultant for purposes of valuation of the Company's shares.

		Approved the designation of signatories for the Company's Retirement Fund.
March 28, 2019	Regular Meeting	.Approved the 2018 Audited Consolidated Financial Statements of the Company and its subsidiaries. Noted Management's action of not pursuing the 25 MW Saga Biomass Project in Saga, Japan due to incomplete due diligence materials within the agreed due diligence period. Accepted the resignation of Mr. L.R. Arguelles as member of the Advisory Board, effective immediately and approved the retirement of Atty. C.M. Bejasa as Corporate Secretary effective after the 2019 annual stockholders meeting.
May 7, 2019	Regular Meeting	Accepted the resignation of Mr. Supasit Pokinjaruras as director effective immediately and, upon recommendation of the Nomination Committee, elected Ms. Srinarin Poudpongpaiboon as director, for the remainder of the term of Mr. Pokinjaruras. Approval of the increase of the authorized capital stock of the Company from Php2.5 Billion consisting of 10 Billion shares to Php5.0 Billion shares consisting of 20 Billion shares, at par value of Php0.25 per share. The approval is in anticipation of the entry of a new investor, thus, the proposed capital increase shall be submitted for approval by stockholders at the annual stockholders meeting when the entry of the new investor is approved by the Board. Noted the performance appraisal rating of the Board, Board Committees and the directors of Mostly Satisfactory/ Exceeds Standards.
May 30, 2019	Regular Meeting	Setting of the Annual Stockholders Meeting on August 28, 2019 at 3:00 pm, with record date of August 1, 2019 and the venue to be determined at the next Board meeting.
June 27, 2019	Regular Meeting	Approved the nominations of the incumbent directors for election as directors for the term 2019-2020 at the annual stockholders meeting. Authorized the President & CEO to submit the listing application with PSE for the Tranche 2.2 shares of Meta Corporation Public Company Limited consisting of 106,892,000 shares. Approved the closing of the stock and transfer book for purposes of the annual meeting of stockholders from August 2 to 28, 2019, the deadline for the submission of proxies on August 16, 2019 and the venue of the annual stockholders meeting at Dustit Thani Hotel, Makati City. Approved the proposed amendments to the Articles and Bylaws of the following subsidiaries: Basic Diversified Industrial Holdings, Inc., Basic Biofuels Corporation and Basic Renewables, Inc. so as to specify their principal office addresses.

July 25, 2019	Regular Meeting	Approved the resetting of the annual stockholders meeting from August 28, 2019 to October 23, 2019, with record date October 1, 2019. Closing of the stock and transfer books shall be from October 2 to 23, 2019. Venue is the same at the Dusit Thani Hotel-Makati. Approved the amendments to the amended By-Laws of the following subsidiaries so as to delete the profit sharing provisions: Basic Biofuels Corporation, Basic Diversified Industrial Holdings, Inc., Basic Geothermal Energy Corporation, Basic Renewables, Inc. iBasic and Southwest Resources, Inc.
August 29, 2019	Regular Meeting	Approved the amendment to the amended By-Laws of the Corporation so as to add a new section as Section 10, Article II, creating the position of Chairman Emeritus.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **HARVEY LAWRENCE N. DYCHIAO**, Filipino, of legal age and a resident of Unit 1108 Baron 3 Towers, A. Mabini St., San Juan City, after having been duly sworn in accordance with law, declare that:

1. I am a nominee for Independent Director of Basic Energy Corporation (the Company) for the term 2019-2020 and have been the Independent Director of the Company and its subsidiaries, since 2016;
2. I am presently the managing Director of Bonifacio Capital and have held such position since 2012;
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Basic Energy Corporation as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuance of the Securities Exchange Commission (SEC) ;
4. I am not related to any director, officer or substantial shareholder of Basic Energy Corporation, or any of its related companies or any of its substantial shareholders;
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances; and
7. I shall inform the Corporate Secretary of Basic Energy Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

Executed on June 27, 2019 at Makati City.

HARVEY LAWRENCE N. DYCHIAO
Affiant

SUBSCRIBED AND SWORN to before me this 28 JUN 2019, Affiant exhibiting to me his BIR TIN No.211-544-787-000.

Doc. No. 06
Page No. 03
Book No. XXXVI
Series of 2019.

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2019
Appt. No. M-4[illegible] (2018-2019) Attorney's Roll No. 34562
MCLE Compliance No. V[illegible]/4-23-2018
PTR No. 7333751/1-[illegible]-2019/Makati City
IBP Lifetime Member Roll No. 05413
Ground Level, Dela Rosa Carpark I
Dela Rosa St. Legaspi Village,
Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **EDUARDO V. MANALAC**, Filipino, of legal age and a resident of Unit 18 B/C Phoenix Heights Condominium, Henry Javier Street, Pasig City, after having duly sworn in accordance with law, declare that:

1. I am a nominee for Independent Director of Basic Energy Corporation (the Company) and have been the Independent Director of the Company and its subsidiaries for the last four (4) years;
2. I am presently the President of TransEnergy International Limited and have been employed by this company since 2007;
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Basic Energy Corporation as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuance of the Securities Exchange Commission (SEC) ;
4. I am not related to any director, officer or substantial shareholder of Basic Energy Corporation, or any of its related companies or any of its substantial shareholders;
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances; and
7. I shall inform the Corporate Secretary of Basic Energy Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

Executed on June 27, 2019 in Makati City.

EDUARDO V. MANALAC
Affiant

SUBSCRIBED AND SWORN to before me this 28 JUN 2019, affiant exhibiting to me his BIR TIN No. 225-311-454.

Doc. No. 447
Page No. 95
Book No. XXV
Series of 2019.

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2019
Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **OSCAR S. REYES**, Filipino, of legal age and a resident of Unit 6 Kasiyahan Homes, 58 McKinley Road, Forbes Park, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee identified as Independent Director of **BASIC ENERGY CORPORATION** since 2007.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/ Relationship	Period of Service
PLDT, Inc.	Director Member, Advisory Board	2001-2010 2010 - present
Bank of the Philippine Islands	Director Member, Advisory Council	2003 – 2016 2016-present
Cosco Capital Inc.	Independent Director	2009 - present
Manila Water Co., Inc.	Independent Director	2005 - present
Pepsi Cola Products Philippines Inc.	Chairman	2007-present
Sun Life Financial Plans Inc.	Independent Director	2006 - present
Sun Life Prosperity Funds	Independent Director	2002 – present
Grepalife Dollar Bond Fund Corporation	Independent Director	2011 - present
Grepalife Fixed Income Fund Corporation	Independent Director	2011 - present
Grepalife Bond Fund Corporation	Independent Director	2011 - present
PLDT Communications & Energy Ventures Inc.	Director	2013- present
Petrolift Corporation	Independent Director	2007 - present
Eramen Minerals Inc.	Independent Director	2004 - present
Asian Eye Institute	Director	2010 - present
Phil. Dealing System Holdings Corp.	Independent Director	April 2019
Phil. Dealing & Exchange Corporation	Independent Director	April 2019
Phil. Depository & Trust Corporation	Independent Director	April 2019
Phil. Securities Settlement Corporation	Independent Director	April 2019
Team Energy Corporation	Independent Director	June 2019

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of BASIC ENERGY CORPORATION, as provided for in

Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances

4. I am not related to any director/officer/substantial shareholder of Basic Energy Corporation other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulations Code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the corporate secretary of BASIC ENERGY CORPORATION of any changes in the abovementioned information within five days from its occurrence.

Done, this ___ day of June 2019 at Makati City, Philippines.

Reyes

OSCAR S. REYES
Affiant

SUBSCRIBED AND SWORN to before me, a notary public in and for the City of ______ this ___ day of 28 JUN 2019 2019. The Affiant, whom I identified through the following competent evidence of identity: Philippine Passport No. P5302920A expiring on 10 December 2022, personally signed the foregoing instrument before me and avowed under penalty of law to the whole truth of the contents of said instrument.

WITNESS MY HAND AND SEAL on the date and at the place first abovementioned.

NOTARY PUBLIC

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2019
Dela Rosa St. Legaspi Village
Makati City

Doc. No. 07;
Page No. 03;
Book No. XXXVI
Series of 2019.

BASIC ENERGY
CORPORATION

2018 MANAGEMENT REPORT

BUSINESS AND GENERAL INFORMATION

PART I. BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

(A) Description of Business

(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 held 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 Renewables, Inc., which is into renewable energy exploration and development, Basic Geothermal Energy Corporation, which is into geothermal energy exploration and development, and Grandway Group Limited, a Hong Kong registered company, which is into equity investments abroad, while Southwest Resources, Inc., which is owned 72.58% by the Company, is an oil exploration company.

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 of natural gas 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 likewise a party, together with other oil exploration companies, in Service Contract 47 in offshore Mindoro, however, this service contract was likewise relinquished to the Department of Energy.

The Company has been awarded by the Department of Energy (DOE) 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.

The consortium for GSC No. 8, after the completion of drilling works on an exploratory well last February, 2017, has decided to drill a stratigraphic, follow-up well within the contract service area, and preparatory works for this work program were done in 2018. As for the work program and budget for 2019, the same is pending evaluation by the DOE.

The service contracts for the East Mankayan project and the West Bulusan project have been terminated. The DOE has not acted upon the Company's request for suspension of obligations in the service contract for the Mariveles project, while in the Iriga project, where the Company has a twenty percent (20%) participating interest, Desco, Inc. is the operator, which is undertaking permitting and preparatory works for the drilling of an exploratory well.

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 (Grandway), a joint venture company in Hong Kong, as the corporate vehicle of the joint venture in entering into business relationships in connection with the management and operation of oil wells. Grandway was initially 70% owned by the Company and 30% owned by Petrosolve Sdn Bhd until 2017, when the latter transferred its shares to the Company, such that Grandway is now owned 100% by the Company. The joint venture then established PT Basic Energi Solusi (PT BES), 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 the organizational structure of local cooperatives and/or local miners which will handle the management and operation of oil wells in said areas and with whom PT BES shall enter into new cooperation agreements, have been established.

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 has withdrawn from these service contracts, to enable the Company to focus on its other energy projects.

In 2017, the Company looked for business opportunities abroad for the development of renewable energy resources, such as solar and biomass energy. After the due diligence work on these projects, the Company decided not to pursue with these projects.

In the same year, the Company decided to invest in Vintage EPC Co. Ltd. (VEPC) and Vintage International Construction Co. Ltd. (VINTER), which are limited companies registered in Thailand. VEPC and VINTER are the first counter-parties of GEP (Myanmar) Co. Limited, the owner-developer of the 220 MW solar power plant located in the Minbu District, Magway region, Myanmar, for the supply and construction service requirements of the Engineering, Procurement and Construction (EPC) subcontractor engaged for the said project. After the required due diligence work on said companies and its contracts, in 2018, the Company acquired 15% of the equities of the said companies.

The Company continues to look for business opportunities, in the country and abroad, for the development of other renewable energy resources such as but not limited to solar energy and wind power.

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

Oil and Gas Operations

The Company is involved in oil and gas 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 natural gas in 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)

SC 53 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 carried a minimum work obligation of two (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 its two (2) well obligations under Sub Phase 2 of the project. For Sub-Phase 2, the approved firm budget amounted to US$ 8.42 million and the contingent budget amounted to US$ 1.906 million. The project was placed under moratorium, however, in May, 2012, pending resolution of the aforementioned case filed by Famatodi, Inc. and clearance by the NCIP.

In 2016, the DOE approved the agreement between Pitkin Petroleum and Mindoro Palawan Oil and Gas, Inc. (MPOGI) for the transfer of Pitkin Petroleum's participating interest and operatorship to MPOGI. In February, 2018, the aforementioned Famatodi case was dismissed and thus triggered the said operator's obligation to secure the Certificate of Pre-Condition from the NCIP. In early 2019, the DOE terminated this service contract, to which termination the non-operator members of the consortium sought reconsideration from the DOE. The Company awaits the action of the DOE on the said request for reconsideration.

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

Indonesia Oil Project

This project involved the management and operation of old 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.

In 2013, PT BES entered into a cooperation agreement with PT Ekamaro for the management and operation of ten (10) oil wells located in the Dadangilo and Wonocolo areas in East Java, Indonesia. These wells are part of the wells covered by cooperation agreements between PT Ekamaro and KUD Sumber Pangan and KUD Usaha Jaya Bersama, both of which had production agreements with EP Pertamina, the entity vested by the Indonesian Government with the authority to manage old oil wells in Indonesia.

PT BES drilled five (5) of the aforementioned ten (10) wells. However, production was low compared to projections at the start of the project, while the buying price of EP Pertamina steadily dropped, from IDR4,160/liter (or USD73.50/barrel) at the start of the project, to IDR2,718/liter (or USD 34.57/barrel) by the 1st quarter of 2015. During this time, the local miners moved for upward adjustments in their revenue sharing from oil produced and sold to EP Pertamina, which entailed negotiations with PT Ekamaro Sakti, the KUDs, and the local miners concerned. Before negotiations could be finalized, EP Pertamina instituted changes in the organizational framework for the operation of old oil wells and eventually suspended the operations of the KUDs.

By the middle of 2015, the project was placed on hold until EP Pertamina has finalized the organizational structure of local cooperatives or local miners in said areas. These miners are slated to handle the management and operation of oil wells in said areas and with whom PT BES and/or PT Ekamaro Sakti shall enter into new co-operation agreements.

In view thereof, the deferred exploration costs pertaining to this project amounting to Php147.93 million as at December 31, 2016, was fully provided an allowance for impairment.

Geothermal Energy Operations

The Company is involved in the exploration, development and production of geothermal energy. It has been awarded service contracts for various areas by the Department of Energy (DOE), 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 2018.

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 completed due diligence studies and preliminary technical data collection, collation and re-evaluation as part of its commitment in 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.

In 2015, Trans-Asia Oil and Energy Development Corporation (now Phinma 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. The DOE approved the farm-in agreement of the Company with Phinma Energy Corporation on September 15, 2015. In July, 2018, Phinma Energy signified its intention to withdraw from the project. Upon execution of the transfer documents in favor of the Company, the withdrawal of Phinma Energy Corporation from the project has been submitted to the DOE for approval, which to date, is still pending with the DOE.

For this service contract, the work program committed to the DOE involved the drilling of one (1) exploratory well by July, 2017. The drilling of the well was undertaken by Diamond Drilling Corporation of the Philippines and on February 6, 2017, target depth was reached at 1,679 meters. After various tests were conducted to determine the geothermal resource in the area, the consortium decided to drill a follow-up well in Barangay Solo, within the service contract area as part of its Contract Years 10 and 11 work program. Estimated costs for this work program is Php 50.710 Million.

Frontier Geothermal Service Contracts

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

In 2016, Desco, Inc. entered into a Farm-in Agreement with the Company acquiring an eighty percent (80%) participating interest in and the operatorship of the Iriga Geothermal Project. The farm-in agreement and transfer of operatorship of the project to Desco, Inc. was approved by the DOE in a letter received by the Company on November 8, 2016. Desco, Inc. recently received DOE's approval for the extension of its work program up to 2020, which involved securing the permitting requirements for the project, NCIP certification and well site preparations for the drilling of an exploratory well. The Company has a 20% interest in this project.

In 2016, the Company requested the DOE for a moratorium on the West Bulusan Geothermal Project, in view of the concerns raised by the indigenous people in the area and the local government units in the area against the project, which prevented the Company to conduct the necessary permitting works. The Company received the notice from the DOE terminating the service contract effective 2017.

In 2017, Desco, Inc. entered into a Farm-in Agreement with the Company covering the acquisition of a twenty-five percent (25%) participating interest in the Mariveles Geothermal Project, which has already been submitted to the DOE. To date, however, the DOE has not acted on the said farm-in agreement with Desco, Inc. for this project.

The Company has requested the DOE for a suspension of obligations in the East Mankayan and Mariveles projects, due to difficulties encountered in securing the required LGU permit and other clearances. For the East Mankayan project, the DOE has terminated the service contract, which the Company has accepted, while to date, the DOE has not acted on the request for suspension of obligations in the Mariveles project.

Hydro-Power Energy

The Company was 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), in February, 2014. The Malogo 2 Hydropower Project is situated in Cadiz City and Victorias City in Negros Occidental, while the Puntian I and II Hydropower Projects are situated along Puntian River in the municipality of Murcia, Negros Occidental. The Talabaan Hydropower Project is situated in Cadiz City, Negros Occidental.

The Company already advised the Department of Energy (DOE) 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 advanced stages. The Company has been recently advised by DOE of its acceptance of the Company's withdrawal from these service contracts, subject to fulfillment of its financial commitments as of date of withdrawal of said service contracts.

Risk Management

In the Oil and Gas and Geothermal Energy 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 energy 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 identified provinces potentially rich in petroleum and geothermal resources.

(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. At the appropriate time, the Company will negotiate oil/power 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 (20) officers and employees, of which seven (7) are executive officers, one (1) technical manager, eight (8) are assigned as technical, project, accounting, administrative, IT and operations support staff and four (4) are assigned for utility and service staff. The Company expects to hire additional officers and other personnel and/or engage the services of consultants or project employees in 2019 as may be needed, as additional technical and project 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 (7th 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 area of approximately 41 hectares. The property is located about 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 parcels of land located at Tanay, Rizal with a total area of approximately 3.5 hectares, 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.

The Company used to own a major interest in a real estate property (land) located at Barangay Bolasi, San Fabian, Pangasinan with an aggregate gross area of 186,665 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. This property has been sold in 2018 and the Company has received its proportionate share in the net proceeds of the sale of said property.

For 2019, the Company or its subsidiaries do not have any plan to own additional lands for its various projects.

(C) Legal Proceedings

The Company or its subsidiaries and affiliates are not involved in any pending legal proceeding/s relative to its properties or property interests of the Company, in the last five (5) years.

Management's Discussions and Analysis and Plan of Operation for 2019

Oil and Gas Operations

For 2019, the Company will continue with its business commitments, as a party, together with other oil exploration companies, in Service Contract 53, a service contract for the exploration, development and exploitation of natural gas in certain areas situated in offshore Mindoro.

The consortium for Service Contract 53 has agreed to drill Progreso-2 to fulfil one of the two (2) well obligations under the Sub-Phase 2 program of the project. The term for this phase has been suspended since 2012, 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 Famatodi, Inc. case has been dismissed in 2018, but the issues with the NCIP have not been resolved by the operator, Mindoro-Palawan Oil and Gas, Inc. The Department of Energy (DOE), in early 2019, terminated this service contract and the non-operator members of the consortium have requested the DOE for a reconsideration of said termination. To date, the DOE has not acted on said request for reconsideration. The Company has a 3% participation in this service contract.

The Company's cash requirements for Service Contract 53, for the whole year of 2019 is budgeted at a total of Php 13.214 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 this project in 2019.

Geothermal Energy Operations

For the Mabini Geothermal Project (GSC No. 8), the Company has recently submitted to the Department of Energy (DOE) its proposed work program for Contract Year 10, which covers the completion of a follow-up well in Barangay Solo, Mabini, Batangas, within the service contract area. The plan entails securing all permits and finalizing all contracts and bringing in of the necessary personnel for the completion of the said well. To date, the Company awaits the action of the DOE on the said work program for this project.

For the Mariveles Geothermal Project, the Company shall decide on the next steps for this project after it has received the decision of the DOE on the requested suspension of obligations in the service contract. The service contract for the West Bulusan project has already been terminated by the DOE. . For the Iriga Geothermal Project, the Company will continue to monitor developments on the work program for this project as approved by the DOE and as implemented by its operator, Desco, Inc.

The Company shall continue discussions with other companies interested in the exploration and development of geothermal resources in these service contracts.

The Company's cash requirements for 2019 for GSC No. 8, assuming the drilling of the follow-up well, is budgeted at about Php 50.71 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 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

To enable the Company to focus on its geothermal and other renewable energy projects, the Company has advised the Department of Energy (DOE) of its intentions to withdraw and return the service contracts for the exploration and development of hydro-power resources awarded to the Company. The DOE has accepted said withdrawals, subject to resolution of alleged pending financial commitments of the Company on these projects.

Business Development

The Company continues to pursue business opportunities for the development of renewable energy resources whether in the Philippines or abroad.

The Company has decided to invest in Vintage EPC Company Limited (Thailand) and VTE International Construction Company Limited (Thailand) up to fifteen per cent (15%) of the outstanding capital of said companies, after satisfactory due diligence on the said companies and its projects.

Vintage EPC Company Limited and VTE International Construction Company Limited are the EPC Contractors for the 220MW Solar Power Project located in Minbu District, Magway Region, Myanmar, who were engaged by Green Earth Power (Myanmar) as the owner-developer of the project and the holder of the Power Purchase Agreement with the Myanmar Government's energy and power ministry. The design and construction of the project commenced in 2016, and was planned to be completed in four (4) phases of 50 MW for Phases 1, 2 and 3 and 70 MW for Phase 4. Phase 1 has been recently completed and is awaiting approval from the Myanmar Government of certain tests procedures prior to full commercial operation. As planned, the subsequent phases shall be pursued after completion of the previous phases, to achieve full completion of the four (4) phases by 2022.

The equity investment is part of the Company's plans to be a major renewable energy and power company. With this objective, BEC was tasked to develop a robust portfolio of renewable energy projects such as solar, wind and biomass energy projects, in the Philippines and abroad, that will provide the Company with a continuing stream of revenues in the short and mid-terms.

The Company's cash requirements for the business development of renewable energy projects, is budgeted at about Php 5.0 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 renewable projects which may be invested by the Company in 2019. There are plans to increase 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 2018

(a) Full Fiscal Years (Three Years)

2018

For 2018, the Company's total assets stood at Php788.34 million, an increase of Php36.09 million from its previous year balance of Php752.25 million. Current assets with a 2018 balance of Php198.54 million decreased by Php62.47 million from the balance of Php261.01 million in 2017. The decrease in current assets is primarily attributable to the reclassification of refundable earnest money deposits amounting to Php133.28 million to investment in associates and which was offset with the recognition of a receivable amounting to Php124.69 million in relation to the sale of an investment property. The decrease in cash and cash equivalents of Php32.94 million is primarily attributable to general and administrative expenses for the year amounting to Php56.42 million which was partially offset by the return of the refundable deposit made for the Saga (Japan) Solar Power project amounting to Php22.82 million. Non-current assets, however, increased by Php98.56 million from Php491.24 million in 2017 to Php589.8 million in 2018 primarily due to the recognition of investment in associate for the investment made on two Thailand-based EPC companies for Php217.14 million and the sale of an investment property amounting to Php114.66 million.

Total liabilities in 2018 closed at Php82.97 million, an increase of Php3.26 million from the balance of Php79.71 million in 2017. Current liabilities amounting to Php60.10 million decreased by Php4.45 million from the balance of Php64.55 million in 2017. This was primarily due to the reclassification of advances from stockholders amounting Php6.67 million to additional paid-in capital and increase in accounts payable and accrued expenses for provisions amounting to Php2.01 million. Non-current liabilities amounting to Php22.87 million increased by Php7.72 million from the balance of Php15.16 million in 2017. This was due to the increases in deferred income tax liabilities of Php2.91 million and in accrued retirement benefits of Php4.81 million.

Total equity recorded in 2018 was Php705.36 million, an increase of Php32.82 million from the balance of Php672.54 million in 2017. This was primarily due to the increases in capital stock of Php26.72 million for additional subscriptions, additional paid-in capital of 6.40 million, and share in cumulative translation adjustments of associates amounting to Php27.54 million. The aforementioned increases were offset by the decrease in retained earnings of Php23.57 million due to the losses incurred for the year.

For 2018, revenue generated amounted to Php60.29 million. Revenue for the year came from the gain on bargain purchase of Php24.18 million, fair value adjustment on investment properties of Php21.39 million, realized foreign exchange gains of Php7.59 million, management fees of Php2.97 million, and interest income of Php2.07 million. Compared to 2017, revenue in 2018 increased by Php52.92 million mainly because of the gain on bargain purchase, fair value adjustment on investment properties, and management fees recognized during the year.

Cost and expenses for 2018 amounted Php82.35 million, Php56.42 million of which are general and administrative expenses, Php10.73 million are loss on sale of investment properties, Php5.08 million are share in net loss of associates and Php3.42 million are interest expenses. Compared to 2017, cost and expenses in 2018 increased by Php26.25 million primarily because of the loss on the sale of investment properties of Php10.73 million, share in net loss of associates of Php5.08 million, impairment loss of goodwill of Php3.76 million, provisions for impairment on deferred costs of Php2.95 million, and interest expense of Php3.42 million.

For the year 2018, the Company recorded a consolidated operating loss of Php25.77 million, Php25.12 million of which is attributable to equity holders of the parent company and Php0.65 million to non-controlling interest. Deducting net comprehensive income of Php25.47 million, total comprehensive loss for the year amounted to Php0.3 million, Php0.3 million of which is attributable to equity holders of the parent company, and comprehensive income of Php 0.65 million to non-controlling interest.

The aforementioned losses in 2018 were attributable to the absence of a steady flow of revenues from projects and investments of the Company. For 2018, the revenues generated from gain on bargain purchase, fair value adjustment on investment properties, realized foreign exchange gains, management fees, and interest income were partially offset by the loss on sale of investment properties and share in net loss of associate. The revenues recognized during the year were not enough to cover the general and administrative expenses incurred for the year. The geothermal projects of the Company have long gestation periods and as of the end of 2018, these projects are still in various exploration stages, where revenues are not expected in the near term and until these projects progress to commercial operations.

In June 2018, the Company invested for a 15% stake in two Thailand-based EPC companies which have secured the EPC contracts for the 220MWp Solar Power Project in Minbu, Myanmar. The investment in the aforementioned EPC companies is expected to contribute positively to the Company's financial position in 2019. The Company also has participation in the project management of the EPC contracts which entitles the Company for management fees.

In 2018, the Company continued to explore opportunities for investments in various energy projects which are shovel-ready or about to commence commercial operations or otherwise have shorter gestation periods, within the country and abroad. In 2019, the Company is in discussions with project proponents for wind projects in the Philippines, in addition to a solar power project located in the Philippines, which has been identified and which could possibly bring in revenues in the near future. The Company has been in discussions with the project owners for participation in the aforementioned power projects.

2017

For 2017, total assets of the Company stood at Php752.25 million, an increase of Php31.21 million from the balance of Php721.04 million in 2016. Current assets amounting to Php261.01 million increased by Php90.92 million from the balance of Php170.09 million in 2016. This was primarily due to the booking of refundable earnest money deposits amounting to Php171.43 million paid for due diligence audits on various projects which the Company's intends to invest in subject to favorable results of these audits. This accounted for the decrease in cash and cash equivalents of Php84.60 million. Non-current assets, however, decreased by Php59.70 million from Php550.95 million in 2016 to Php491.24 million in 2017 primarily due to the decrease in available for sale financial assets of Php89.47 million due to sale. This was partially offset by an increase in deferred exploration costs of Php29.87 million, which booked the costs and expenses for the existing projects of the Company.

Total liabilities in 2017 closed at Php79.71 million, an increase of Php57.88 million from the balance of Php21.83 million in 2016. Current liabilities amounting to Php64.55 million increased by Php56.44 million from the balance of Php8.11 million in 2016. This was primarily due to the availment of a short-term loan from an existing credit line amounting to Php50 million and the booking of advances from a stockholder of Php6.67 million. Non-current liabilities amounting to Php15.16 million increased by Php1.44 million from the balance of Php13.72 million in 2016. This was due to the increase in deferred income tax liabilities of Php11.79 million which was partially offset by a decrease in accrued retirement benefits of Php10.35 million.

Total equity recorded in 2017 was Php672.54 million, a decrease of Php26.67 million from the balance of Php699.21 million in 2016. This was primarily due to the decreases in retained earnings of Php 56.56 million due to the losses booked for the year, revaluation increment in office condominium due to depreciation of Php1.55 million and net unrealized gains on changes in fair value of AFS financial assets of Php2.74 million. These decreases, however were partially offset by increases in capital stock and additional paid-in capital due to additional subscriptions totaling Php40.01 million net of deposit for future subscriptions of Php13.94 million, remeasurement gain on accrued retirement benefits of Php6.86 million and translation adjustment of Php0.86 million.

For 2017, revenue generated amounted to Php7.37 million. Revenue for the year mostly came from interest and dividend income totaling Php6.92 million and gain on sale of financial assets of Php1.68 million, net of foreign exchange losses of Php1.38 million. Compared to 2016, revenue in 2017 decreased by Php90.48 million mainly because in 2016, the Company generated revenue from fair value adjustments on investment properties amounting to Php71.96 million and unrealized foreign exchange gain of Php16.41 million.

Cost and expenses for 2017 amounted Php56.10 million, Php55.66 million of which are in general and administrative expenses and Php0.45 million in interest expenses. Compared to 2016, cost and expenses in 2017 decreased by Php162.57 million primarily because in 2016, the Company recorded provisions for impairment on deferred costs amounting to Php166.71 million.

For the year 2017, the Company recorded a consolidated operating loss of Php58.24 million, Php58.10 million of which was attributable to equity holders of the parent company and Php0.14 million to non-controlling interest. Deducting a net comprehensive income of Php5.10 million, total comprehensive loss for the year amounted to Php53.15 million, of which Php53.11 million of which was attributable to equity holders of the parent company, and Php0.04 million to non-controlling interest.

The aforementioned losses in 2017 were attributable to the absence of a steady flow of revenues from projects and investments of the Company. For 2017, the revenues were generated only from interest and dividend income on financial assets of the Company, which were not sufficient to cover the general and administrative expenses incurred for the year. The geothermal projects of the Company have long gestation periods and as of end of 2017, these projects were all still in various pre-development stages, where revenues were not expected in the near term and until these projects progress to commercial operations.

Thus, in 2017, the Company began to explore opportunities for investments in solar and other energy projects which are shovel-ready or about to commence commercial operations or otherwise have shorter gestation periods, within the country and abroad.

Among several energy projects considered, three (3) projects abroad were identified in 2017, which could bring in revenues in the near future. The Company has placed refundable deposits with the project owners to enable the Company to conduct due diligence work on these projects and secure exclusivity in the negotiations on the proposed equity investments of the Company in these projects. Due diligence work on one of these projects have been completed and negotiations are on-going on the terms and conditions of the Company's equity investments in the project companies. The relevant agreements are expected to be closed before the end of 2018, which will trigger the entitlement of the Company to revenues from earnings of the project companies in 2019.

2016

For 2016, total assets of the Company stood at Php721.04 million, a decrease of Php106.20 million from the balance of Php827.24 million in 2015. Current assets amounting to Php170.09 million decreased by Php37.58 million from the balance of Php207.67 in 2015. This was primarily due to the decrease in cash and cash equivalents disbursed for costs and expenses during the year. Non-current assets, totaling Php550.95 million decreased by Php68.62 million from the balance of Php619.57 million. This was primarily due to the decrease in deferred exploration costs of Php135.67 due to the provisions for impairment losses booked for the year amounting to Php166.71 million and the decrease in available for sale (AFS) financial assets of Php24.89 million due to redemption. These decreases, however, were partially offset by increases in investment properties and property and equipment totaling Php80.87 million due to revaluation and Php17.30 due to acquisitions.

Total liabilities closed at Php21.83 million, an increase of Php1.48 million from the balance of Php20.35 million in 2015. This was primarily due to the increase of Php2.57 million in payables and accrued expenses, partially offset by the decrease in income tax payable amounting to Php1.11 million.

Total equity recorded was Php699.21 million, a decrease of Php107.68 million compared to the balance of Php806.89 million in 2015. The decrease was primarily due to the decreases in retained earnings amounting to Php74.13 million due to the losses for the year, non-controlling interests of Php49.25 million and translation adjustment of Php4.25 million. These decreases were, however, partially offset by deposit on future subscriptions of Php13.94 million and an increase in revaluation increment of Php6.04 million.

Total revenue generated for the year amounted to Php97.85 million, an increase of Php47.38 million from the revenue in 2015 of Php50.47 million. Revenues for the year were mostly from fair value adjustments on investment properties amounting to Php71.96 million, unrealized foreign exchange gains of Php16.41 million and interests and dividends totaling Php9.45 million.

Costs and expenses were from general and administrative expenses amounting to Php 51.955 million and provisions for impairment losses on deferred exploration costs of Php 166.713 million. Provisions for impairment losses of Php 147.933 were booked on deferred costs for the Indonesia oil project as the project was placed on hold by the middle of 2015 until Pertamina is able to finalize the organizational structure of local miners who will handle the management and operation of oil well in said areas and with whom the Company shall enter into new cooperation agreements.

In addition, Php 16.224 million provisions for impairment losses were booked on deferred costs for SC 47 as the Department of Energy (DOE) had already approved the relinquishment of the service contract by the consortium, which includes the Company, and Php 2.556 million on deferred costs for hydropower service contracts as the Company advised the DOE of its intentions to withdraw and return the hydropower service contracts awarded to the Company.

For the year 2016, the Company recorded a consolidated operating loss of Php124.46 million, Php75.65 million of which was attributable to equity holders of the parent company and Php48.81 million to non-controlling interests. Deducting a net comprehensive income of Php2.84 million, total comprehensive loss amounted to Php121.62 million, Php72.36 million of which was attributable to equity holders of the parent company, and Php49.25 million to non-controlling interests.

The losses in 2016 were primarily due to the provisions for impairment losses on deferred exploration costs of Php166.71 million in projects which were placed on hold and thus were no longer pursued by the Company and on projects which have already been relinquished to the Department of Energy. On the other hand, revenues in this year came from fair value adjustments on investment properties, unrealized foreign exchange gains and interests and dividends on deposits and placements of the Company.

To conserve the cash resources of the Company, the Company decided to farm-out 80% of its interest in the Iriga Geothermal project to Desco, Inc., which became then the operator of the said project. The Company likewise farmed out to Desco, Inc. 25% of its interest in the Mariveles Geothermal project.

With the Mabini Geothermal project still in the exploration phase with the drilling of an exploratory well, the Company recognized the need to embark on projects which will generate income for the Company, sooner than the forecasted development and commercial phases of the said geothermal projects. Various energy projects were looked into, however, the due diligence studies on these projects were not favorable and will not achieve the objective of having immediate revenue-generating projects. The Company continued to aggressively look into other energy projects, and began to search for investment opportunities in projects abroad.

(b) Interim Period – 1st Quarter, 2019 (Unaudited as of March 31, 2019)

For the quarter ending March 31, 2019, total assets stood at Php759.35 million, total liabilities at Php64.29 million and stockholders' equity at Php704.29 million, with minority interest comprising Php9.23 million.

Total revenues recorded as of March 31, 2019 was Php3.73 million, while total costs and expenses amounted to Php12.17 million, resulting to a net loss of Php8.44 million with minority interest recorded at Php0.13 million and for a net loss after minority interest of Php8.57 million. Revenue for the period was mostly from interest income amounting to Php0.78 million, and unrealized foreign exchange gain amounting to Php2.93 million. Costs and expenses for the period were for general administrative expenses amounting to Php11.49 and interest expense of Php0.68 million.

(c) Interim Period – 2nd Quarter, 2019 (Unaudited as of June 30, 2019)

For the quarter ending June 30, 2019, total assets stood at Php706.34 million, total liabilities at Php10.65 million and stockholders' equity at Php679.39 million, with minority interest comprising Php9.19 million.

Total revenues recorded as of June 30, 2019 was Php10.99 million, while total costs and expenses amounted to Php43.93 million, resulting to a net loss of Php32.93 million with minority interest recorded at Php0.17 million and for a net loss after minority interest of Php33.1 million. Revenue for the period was mostly from interest income amounting to Php1.76, management service fees amounting to Php5.84 million, and unrealized foreign exchange gain amounting to Php3.38 million. Costs and expenses for the period were for general administrative expenses amounting to Php26.34, interest expense of Php0.89 million, provision for impairment loss of Php12.58 million, and share in net loss of associate amounting to Php4.12 million.

(d) Key Performance Indicators

The following table shows the top Key Performance indicators of the Company and its subsidiaries for the past three (3) years:

Key Performance Indicators	2018	2017	2016
Return on investment	-3.74%	-8.49%	-16.53%
Net profit margin	-42.75%	-790.56%	-127.20%
	20.41%	36.61%	38.19%
Investment in wells and other facilities	15.61%	15.24%	12.18%
Current ratio	3.30:1	4.04:1	20.97:1
Asset turnover	7.65%	1.00%	12.64%
Solvency ratios:			
Debt to equity ratio	11.76%	11.85%	3.12%
Asset to equity ratio	111.76%	111.85%	103.12%
Interest coverage ratio	-745.91%	-11,056.42%	na

Return on investment ("ROI") measures the profitability of stockholders' investment. Profit Margin 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 measures the short-term debt paying ability of the Company. Asset turnover measures how efficiently assets are used to produce profit.

ROI was -3.74% in 2018, -8.49% in 2017, and -16.53% in 2016. All three years showed negative rates because the Company booked losses for these years.

Profit margin was -42.75 in 2018, -790.56% in 2017, and -127.20% in 2016. 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 20.41% in 2018, 36.61% in 2017, and 38.19% in 2016. The decrease in ratio from 2017 to 2018 was due to the decrease in investments while total assets increased. The decrease in ratio from 2016 to 2017 was due to the increase in total assets while investments remained the same.

Investment in wells and other facilities as a % of total assets was 15.61% in 2018, 15.24% in 2017, and 12.18% in 2016. The increases in ratio from 2017 to 2018 and 2016 to 2017 were due to the increases in both investments and total assets.

Current ratio was 3.30:1 in 2018, 4.04:1 in 2017, and 20.97:1 in 2016. The decrease in ratio from 2017 to 2018 was due to the decrease in current assets. The decrease in ratio from 2016 to 2017 was due to the increases in both current assets and current liabilities.

Asset Turnover was 7.65% in 2018, 1.00% in 2017, and 12.64% in 2016. The increase in ratio from 2017 to 2018 was due to the increase in revenue. The decrease in ratio from 2016 to 2017 was due to the decreases in both revenue and average total assets.

Debt to Equity Ratio was 11.76% in 2018, 11.85% in 2017, and 3.12% in 2016. The decrease in ratio from 2017 to 2018 was due to the increase in equity. The increase in ratio from 2016 to 2017 was due to the increase in liabilities while equity decreased.

Asset to Equity Ratio was 111.76% in 2018, 111.85% in 2017, and 103.12% in 2016. The decrease in ratio from 2017 to 2018 was due to the increase in equity. The increase in ratio from 2016 to 2017 was due to the increase in total assets while equity decreased.

Interest coverage ratio was -745.91% in 2018, -11,056.42% in 2017, and none in 2016. The increase in ratio from 2017 to 2018 was due to the increase in both interest expense and EBIT during 2018. The Company did not have any interest expense during 2016.

Key Variable and Other Qualitative and Quantitative Factors

There are no 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 operations.

There are no known trends, events or uncertainties that will have a material impact on the liquidity of the Company.

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.

There are no material commitments for capital expenditures.

There are no known significant elements of revenues/income or loss from continuing operations.

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 are no seasonal aspects that have a material effect on the financial conditions or results of operations of the Company.

(e) Comparative Analysis

First Quarter of 2019 (Interim Unaudited) vs Fiscal Year 2018 Results of Operations

For the quarter ending March 31, 2019, the company booked total revenues of Php3.73 million with total cost and expenses of Php12.17 million resulting to a net loss of Php8.44 million with minority interest recorded at Php0.13 million for a net loss net of minority interests of Php8.57 million.

Total revenue for the 1st quarter of 2019 of Php3.73 million was mostly from interest income amounting to Php0.78 million and unrealized foreign exchange gain of Php2.93 million.

Total cost and expenses for the 1st quarter of 2019 totaling to Php12.17 million was from general and administrative expenses amounting to Php11.49 million, and interest expense amounting to Php0.68 million.

Total assets as of March 31, 2019 stood at Php759.35 million, a decrease of Php28.99 million from Php788.34 million as of December 31, 2018. Current assets amounting to Php167.51 million decreased by Php31.03 million from the balance of Php198.54 million as of December 31, 2018.

The decrease in current assets was primarily due to the cash used for operations, requirements of the existing projects, and partial settlement of the bank loan. Non-current assets increased by Php2.04 million, primarily due to the increases in investment in associates of Php1.8 million and financial assets at FVOCI of Php1.12 million.

Total liabilities decreased by Php18.68 million from Php82.97 million as of December 31, 2018 to Php64.29 million as of March 31, 2019 due to the partial settlement of the loan payable for Php20 million.

Total stockholders' equity as of March 31, 2019 stood at Php704.29 million, a decrease of Php10.44 million from Php714.73 million as of December 31, 2018. This was due to the net loss booked for the 1st quarter of 2019 of Php8.57 million and cumulative translation adjustment of Php2.99 million.

First Quarter, 2019 (Interim Unaudited) vs. First Quarter, 2018 Results of Operations

The Company recorded total revenues of Php3.73 million for the 1st quarter ending March 2019, an increase of Php3.16 million from the balance as of the same quarter in 2018 of Php0.57 million.

The increase in revenues during the 1st quarter of 2019 as compared to the same quarter in 2018 was primarily from the unrealized foreign exchange gain amounting to Php2.93 million recorded in the 1st quarter of 2019.

Costs and expenses for the 1st quarter of 2019 amounted Php12.17 million, a decrease of Php4.04 million from the balance of Php16.21 million for the same quarter of 2018. The decrease was attributable to the unrealized foreign exchange loss recognized in the 1st quarter of 2018 and the decreased in general and administrative expenses of Php2.93 million.

For the 1st quarter of 2019, the Company booked a net loss on a consolidated basis after minority interest of Php8.57 million as compared to the net loss booked during the 1st quarter of 2018 amounting to Php15.49 million.

Total assets as of March 31, 2019 stood at Php759.35 million a decrease of Php19.44 million from Php739.91 million as of March 31, 2018. Current assets decreased by Php76.84 million primarily due to the decrease in refundable deposits of Php131.82 million which was offset by the increases in cash and cash equivalents of Php27.96 million and receivables of Php27.1 million. The decrease in refundable deposits is primarily due to the reclassification to investment in associates of the portion attributable to the investment of the Company in the two Thailand based EPC companies. Non-current assets increased by Php96.28 million primarily due to the recognition of the investment in associates amounting to Php218.94 million which was partially offset by the decreased in investment properties amounting to Php114.5 million.

Total liabilities closed at Php64.29 million as of March 31, 2019, a decrease of Php11.17 million from the balance of Php75.46 million as of March 31, 2018. The decrease is primarily attributable to the partial settlement of the loan payable for Php20 million and was partially offset because of the increases in accrued retirement benefits payable of Php4.32 million and deferred income tax liabilities of Php2.91 million.

Total stockholders' equity as of March 31, 2019 stood at Php704.29 million, an increase of Php30.67 million from Php673.61 million as of March 31, 2018. The increase was primarily due to additional subscriptions amounting to Php 26.72 million and share in cumulative translation adjustment of associates amounting to Php27.54 million. The increases were partially offset by the decreases in retained earnings amounting to Php16.65 million and cumulative translation adjustments amounting to Php4.65 million.

Second Quarter of 2019 (Interim Unaudited) vs Fiscal Year 2018 Results of Operations

For the quarter ending June 30, 2019, the company booked total revenues of Php2.47 million with total cost and expenses of Php33.88 million resulting to a net loss of Php31.41 million with minority interest recorded at Php0.42 million for a net loss net of minority interests of Php31.46 million.

Total revenue for the 2nd quarter of 2019 of Php2.47 million was mostly from interest income amounting to Php0.78 million, management service fees of Php1.03 million and unrealized foreign exchange gain of Php0.46 million.

Total cost and expenses for the 2nd quarter of 2019 totaling to Php33.88 million was from general and administrative expenses amounting to Php14.85 million, provision for impairment loss of Php12.58 million, share in net loss of associate of Php6.24 million and interest expense amounting to Php0.21 million.

Total assets as of June 30, 2019 stood at Php706.34 million, a decrease of Php82 million from Php788.34 million as of December 31, 2018. Current assets amounting to Php131.84 million decreased by Php66.7 million from the balance of Php198.54 million as of December 31, 2018.

The decrease in current assets was primarily due to the cash used for operations, requirements of the existing projects, and settlement of the bank loan. Non-current assets decreased by Php15.29 million, primarily due to the decreases in investment in associates of Php2.32 million, property and equipment of Php2.57 million and provision for impairment of deferred charges of Php12.39 million.

Total liabilities decreased by Php49.45 million from Php60.1 million as of December 31, 2018 to Php10.65 million as of June 30, 2019 due to the settlement of the Php50 million loan payable.

Total stockholders' equity as of June 30, 2019 stood at Php679.39 million, a decrease of Php35.34 million from Php714.73 million as of December 31, 2018. This was due to the net loss booked for the period ended June 30, 2019 of Php33.1 million and cumulative translation adjustment of Php3.66 million.

Second Quarter, 2019 (Interim Unaudited) vs. Second Quarter, 2018 Results of Operations

The Company recorded total revenues of Php2.47 million for the 2nd quarter ending June 30, 2019, an increase of Php2.08 million from the balance as of the same quarter in 2018 of Php0.38 million.

The increase in revenues during the 2nd quarter of 2019 as compared to the same quarter in 2018 was primarily from the increase in interest income of Php0.63 million management service fees amounting to Php1.03 million and unrealized foreign exchange gain amounting to Php0.46 million recorded in the 2nd quarter of 2019.

Costs and expenses for the 2nd quarter of 2019 amounted Php33.88 million, an increase of Php6.39 million from the balance of Php27.49 million for the same quarter of 2018. The increase was attributable to the provision for impairment losses amounting to Php12.58 million and share in net loss of associates amounting to Php6.24 million recognized in the 2nd quarter of 2019. The increases in cost and expenses for the 2nd quarter of 2019 were partially offset by the decreases in general and administrative expenses of Php4.38 million, unrealized foreign exchange loss of Php7.48 million and interest expense of Php0.57 million.

For the 2nd quarter of 2019, the Company booked a net loss on a consolidated basis after minority interest of Php31.46 million as compared to the net loss booked during the 2nd quarter of 2018 amounting to Php26.37 million.

Total assets as of June 30, 2019 stood at Php706.34 million a decrease of Php16.58 million from Php722.92 million as of June 30, 2018. Current assets decreased by Php93.57 million primarily due to the decrease in refundable deposits of Php131.82 million which was offset by the increases in cash and cash equivalents of Php5 million and receivables of Php32.96 million. The decrease in refundable deposits is primarily due to the reclassification to investment in associates of the portion attributable to the investment of the Company in the two Thailand based EPC companies. Non-current assets increased by Php76.99 million primarily due to the recognition of the investment in associates amounting to Php214.82 million which was partially offset by the decreased in investment properties amounting to Php114.5 million.

Total liabilities closed at Php10.65 million as of June 30, 2019, a decrease of Php54.84 million from the balance of Php65.48 million as of June 30, 2018. The decrease is primarily attributable to the settlement of the Php50 million loan payable and reclassification of the advances from shareholders of Php6.67 million to equity.

Total stockholders' equity as of June 30, 2019 stood at Php679.39 million, an increase of Php31.41 million from Php647.98 million as of June 30, 2018. The increase was primarily due to additional subscriptions amounting to Php 26.72 million, increase in additional paid-in capital of 6.4 million and share in cumulative translation adjustment of associates amounting to Php27.54 million. The increases were partially offset by the decreases in retained earnings amounting to Php14.51 million and cumulative translation adjustments amounting to Php13.22 million.

2018 vs 2017 Results of Operations

For the year ended December 31, 2018, the Company recorded total revenue of Php60.29 million an increase of Php52.92 million compared to the revenue booked as of the year ended December 31, 2017 of Php7.37 million. The increase was mainly due to the gain on bargain purchased amounting to Php24.18 million, fair value adjustment on investment properties amounting to Php21.39 million and the realized foreign exchange gains amounting to Php7.59 million.

Costs and expenses for the year ended December 31, 2018 amounted to Php82.35 million, an increase of Php26.25 million from costs and expenses booked for the year ended December 31, 2017 of Php56.1 million. The increase was mainly due to the loss on sale of investment properties amounting to Php10.73 million, share in net loss of associate recognized for the year amounting to Php5.08 million, impairment loss of goodwill recognized for 2018 amounting to Php3.76 million, provisions for impairment losses on deferred exploration costs that were booked in 2018 in the amount of Php2.95 million, and increase in interest expense for 2018 by Php2.97 million.

The Company recorded a net operating loss on a consolidated basis of Php25.77 million and a total comprehensive loss of Php0.3 million for the year ended 2018 as compared to a net operating loss of Php58.24 million and total comprehensive loss of Php53.15 million for the year ended 2017.

2017 vs. 2016 Results of Operations

For the year ended December 31, 2017, the Company recorded total revenue of Php7.37 million a decrease of Php90.48 million compared to the revenue booked as of the year ended December 31, 2016 of Php97.85 million. The decrease was mainly due to the fair value adjustment on investment properties recognized in 2016 amounting to Php71.96 million and the decrease in unrealized foreign exchange gains of Php17.8 million.

Costs and expenses for the year ended December 31, 2017 amounted to Php56.1 million, a decrease of Php162.57 million from costs and expenses booked for the year ended December 31, 2016 of Php218.67 million. The decrease was mainly due to the provisions for impairment losses on deferred costs that was booked in 2016 in the total amount of Php166.71 million.

The Company recorded a net operating loss on a consolidated basis of Php58.24 million and a total comprehensive loss of Php53.14 million for the year ended 2017 as compared to a net operating loss of Php124.46 million and total comprehensive loss of Php121.62 million for the year ended 2016.

2016 vs. 2015 Results of Operations

For the year ended December 31, 2016, the Company recorded total revenue of Php97.85 million an increase of Php47.38 million compared to the revenue booked as of the year ended December 31, 2015 of Php50.47 million. The increase was mainly due to the fair value adjustment on investment properties booked for the year amounting to Php71.96 million and the increase in unrealized foreign exchange gains amounting to Php22.41 million. These increases, however, were partially offset by decreases in gain on sale of AFS financial asset of Php45 million, dividend and interest income of Php2.16 million.

Costs and expenses for the year ended December 31, 2016 amounted to Php218.67 million, an increase of Php170.19 million from costs and expenses booked for the year ended December 31, 2015 of Php48.48 million. The increase was mainly due to the provisions for impairment losses on deferred costs that were booked in 2016 in the total amount of Php166.71 million.

The Company recorded a net operating loss on a consolidated basis of Php124.46 million and a total comprehensive loss of Php121.62 million for the year ended 2016 as compared to a net operating loss of Php1.19 million and total comprehensive loss of Php30.33 million for the year ended 2015.

(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 2018 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, 2018, namely:

i. Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions. Adoption of these amendments did not have any impact on the Group's consolidated financial statements;

ii. Adoption of PFRS 9, Financial Instruments. PFRS 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 Corporation has provided the required information in the Notes to the 2018 consolidated financial statements; and

iii. Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9 with PFRS 4. The amendments were not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

iv. Adoption of PFRS 15, Revenue from Contracts with Customers. PFRS 15 supersedes PAS 11, Construction Contracts, PAS 18, Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. Adoption of the standard did not have a significant impact on the consolidated financial statements.

v. Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014–2016 Cycle). The adoption of these amendments did not have any impact on the consolidated financial statements.

vi. Amendments to PAS 40, Investment Property, Transfers of Investment Property. The Group's current practice was in line with the clarifications issued, the adoption of these amendments did not have any significant effect on its consolidated financial statements.

vii. Adoption of Philippine Interpretation IFRIC 22, Foreign Currency Transactions and Advance Consideration. The Group's current practice was in line with the clarifications issued, the adoption of these interpretations did not have any significant effect on its consolidated financial statements.

The abovementioned amendments were applied retrospectively. However, their application has no effect on the Corporation's financial position and performance as the Corporation has no deductible temporary differences or assets that are in the scope of the amendments.

The above changes were disclosed in the Consolidated Audited Financial Statements of the Company as of December 31, 2018.

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 2017 and 2018, and the first two (2) quarters of 2019, are as follows:

	HIGH			LOW		
	2017	2018	2019	2017	2018	2019
1st Quarter	Php0.415	Php0.224	Php0.249	Php0.187	Php0.216	Php 0.241
2nd Quarter	0.32	0.235	0.268	0.235	0.226	0.256
3rd Quarter	0.30	0.241		0.241	0.231	
4th Quarter	0.24	0.234		0.208	0.224	

The last trading price of shares of the Company at close of trading as of August 30, 2019 was Php0.2490 per share. Further, the high and low sales prices of shares of the Company, as of August 30, 2019 were Php0.2550 and Php0.2410 per share, respectively.

HOLDERS

Top 20 Stockholders as of August 31, 2019:

NAME	OUTSTANDING SHARES	PERCENTAGE
PCD Nominee Corporation (Filipino)	2,229,624,408	79.19%
PCD Nominee Corporation (Foreign)	146,277,805	5.20%
Vintage Engineering Public Co. Ltd.	106892,000	3.80%
Christodel Phils, Inc.	25,736,744	0.91%
Isidoro O. Tan	24,822,276	0.88%
Phases Realtors, Inc.	20,989,439	0.75%
Northwest Traders Corporation	20,745,757	0.74%
Jose C. De Venecia, Jr.	10,013,225	0.36%
Samuel Uy	10,000,000	0.36%
Northwest Investors, Inc.	8,708,890	0.31%
Mark Anthony L. De Venecia	8,363,333	0.30%
JLV Holdings, Inc.	7,200,000	0.26%
MDV Holdings, Inc	5,070,000	0.18%
Horacio Rodriquez	4,408,523	0.16%
Northwest Securities,Inc.	3,998,109	0.14%
Christine Chua	3,149,221	0.11%
East West Commodities, Inc.	3,019,498	0.11%
Renato Castaneda	2,500,000	0.09%
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 August 31, 2019 is 86.62 % of total issued and outstanding shares.

3) DIVIDENDS

a) No cash/stock dividends have been declared in 2017 and 2018.
b) There are no restrictions that limit the payment of dividend on common shares

4) RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

a. SOP Shares

The subscription and issuance of shares under the Company's Stock Option Plan (SOP), 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:

Subscribers	Shares Subscribed	Date of Subscription
Directors		
Oscar C. De Venecia	30,000,000	4.27.12
	5,500,000	4.27.12
	16,500,000	7.03.13
Francis C. Chua	30,000,000	4.27.12
	5,500,000	4.27.12
	16,500,000	7.03.13
Ramon L. Mapa	30,000,000	4.27.12
Oscar L. De Venecia, Jr.	28,500,000	4.27.12
	3,025,000	7.03.13
	18,975,000	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	9.26.12
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**	

b. Issuance of Shares to Vintage Engineering Public Company of Thailand

Vintage Engineering Public Company, a publicly listed company registered in Thailand, subscribed to 43,565,870 shares on February 24, 2017. The issuance of said shares was confirmed by the Securities and Exchange Commission (SEC) on

March 21, 2017 as an exempt transaction under Section 10.1 (k) of the Securities Regulation Code, where the total number of subscribers is not more than nineteen (19). Additional shares of 104,816,332 shares and 106,892,000 were issued as of December 31, 2017 and December 31, 2018, respectively, which share issuances was confirmed by the Securities and Exchange Commission as exempt transactions under said Section 10.1 (k) of the Securities Regulation Code.

CORPORATE GOVERNANCE

New Corporate Governance Manual

Pursuant to the Code of Corporate Governance for Publicly Listed Companies embodied in SEC Memorandum Circular No. 19, series of 2016, the Company adopted its new Manual on Corporate Governance which was submitted to the Securities and Exchange Commission on May 31, 2017. The Manual contains the following main provisions:

1. The Board's Governance Responsibilities
2. Disclosure and Transparency
3. Internal Control System and Risk Management Framework
4. Cultivating a Synergic Relationship with Shareholders, and
5. Duties to Stakeholders

Corporate Governance Committee

The Board of Directors has established a Corporate Governance Committee since 2009. The Committee assists and guides the Board in the performance of its corporate governance responsibilities, and is thus responsible for maintaining and ensuring good governance of the Company, and compliance with all relevant laws, regulations and following to the extent possible, best business practices on corporate governance, applicable to publicly listed companies in the energy development sector.

The Committee is presently composed of seven (7) members, three (3) of whom are independent directors and the Chairman being an independent director, as follows:

Harvey L. N. Dychiao	-	Chairman
Eduardo V. Manalac	-	Member
Oscar S. Reyes	-	Member
Ma. Florina M. Chan	-	Member
Francis C. Chua	-	Member
Jaime J. Martirez	-	Member
Isidoro O. Tan	-	Member

Evaluation Process for Assessing Compliance with the Manual on Corporate Governance

The Corporate Governance Committee has adopted a Performance Evaluation Self Rating Form to evaluate the level of compliance by the Board, the Board Committees and the individual members of the Board, with the Company's Manual on Corporate Governance and the Code of Corporate Governance for Publicly Listed Companies. The performance evaluation was conducted last May, 2019, the over-all rating of which is Mostly Satisfactory/Exceeds Standards. The Corporate Governance Committee shall monitor the evaluation process which shall be undertaken on a periodic basis, at least annually, to ensure a reasonable level of compliance by the Board, the members thereof and the Board Committees. Every three (3) years, an external facilitator may be engaged to assist the Board in the evaluation process to achieve objectivity of the assessment.

Integrated Annual Corporate Governance Report

The Company has submitted its 2018 Integrated Annual Corporate Governance Report (I-ACGR) to the Securities and Exchange Commission and the Philippine Stock Exchange, on May 30, 2019 and is posted in the Company's website.

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.

The Company has its Internal Audit Manual, 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.

Anti-Money Laundering Manual

The Board of Directors of the Company has adopted its Anti-Money Laundering Manual. The Company is in compliance with the provisions of its Anti-Money Laundering Manual.

REQUEST FOR 2017 ANNUAL REPORT ON SEC FORM 17-A

The Corporation will provide without charge each person solicited, on the written request of any such person, a copy of the Corporation's Annual Report for 2018 (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

At the discretion of Management, a charge may be made for exhibits, provided the charge is limited to reasonable expenses incurred by the Corporation in furnishing the exhibits.

September 3, 2019, Makati City.

OSCAR L. DE VENECIA, JR.
President & CEO

BASIC ENERGY
CORPORATION

SECURITIES AND EXCHANGE COMMISSION
SEC Building, PICC Complex
Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Basic Energy Corporation and Subsidiaries, is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so..

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip, Gorres, Velayo & Co., the independent auditors, appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

OSCAR C. DE VENECIA
Chairman of the Board

OSCAR L. DE VENECIA, JR.
President &Chief Executive Officer

ALAIN S. PANGAN
Vice President- Finance

Signed this 28th day of March, 2019.

APR 12 2019

SUBSCRIBED AND SWORN to before me this ____ day of ________ 2019 affiants having exhibited to me their TIN # as follows:

Name	TIN Number
Oscar C. De Venecia	130-704-840-000
Oscar L. De Venecia,Jr.	149-709-049-000
Alain S. Pangan	215-611-246-000

Notary Public
MA. ESMERALDA R. CUNANAN

Doc. No. 37
Page No. 13
Book No. XXII
Series of 2019.

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

3 6 3 5 9

COMPANY NAME

BASIC ENERGY CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
basic@basicenergy.ph	(632) 817-8596 & 98	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
6,587	6/27	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Alain S. Pangan	aspangan@basicenergy.ph	817-8596	0999-227-8352

CONTACT PERSON's ADDRESS

709 Coronado St., Hulo, Mandaluyong City

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

Building a better working world

6760 Ayala Avenue
1226 Makati City
Philippines

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

October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A)
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Basic Energy Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to this matter.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounting for Investments in Associates
On July 2, 2018, the Group acquired interests in Vintage EPC Co. Ltd. (VEPC) and VTE International Construction Co. Ltd. (VINTER) for a total consideration of ₱145.05 million. The Group has determined that it exercises significant influence over VEPC and VINTER, hence, accounts for these investments as associates using the equity method. As of December 31, 2018, the carrying value of these investments in associates amounted to ₱217.14 million, while the equity in net losses of these associates for the period from July 2, 2018 to December 31, 2018 amounted to ₱5.08 million. We consider the accounting for this acquisition as a key audit matter due to the transaction's financial significance to the Group and the significant management judgment involved in the determination of the existence of significant influence. The equity accounting for these investments was considered a matter of most significance to our audit due to the manual nature of the calculations supporting equity accounting.

The relevant disclosures are presented in Note 11 to the consolidated financial statements.

Audit response

We obtained an understanding of the transaction through discussions with management and our review of the Share Purchase Agreement. We also reviewed management's accounting for the business acquisition, including the purchase price allocation, and the assessment of significant influence in accordance with Philippine Accounting Standards (PAS) 28, *Investments in Associates and Joint Ventures*. We involved our internal specialist in the review of the methodology and assumptions used in the purchase price allocation. We evaluated management's assessment of the acquisition date and performed procedures to check the results of operations commencing from the acquisition date. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

We obtained an understanding of the Group's process in recognizing its equity in net losses of its associates, including the understanding of the associates' business transactions. We recalculated the Group's equity in net losses of associates based on the associates' audited financial statements. In addition, our audit procedures included, among others, coordinating and instructing the statutory auditors of the associates to perform an audit on the relevant financial information of VEPC and VINTER for the purpose of the Group's consolidated financial statements. We considered the risk assessment, audit strategy of the statutory auditors, as well as any significant developments about the associates. We further evaluated management's considerations regarding the impairment indicators of the investments in associates by reviewing the associates' results of operations as well as the associates' ability to declare dividends.

Valuation of Investment Properties at Fair Value
The Group accounts for its investment properties, which consist of parcels of land, using the fair value model. The Group engaged an appraiser in 2018 to estimate the fair values of the investment properties as at December 31, 2018. The determination of the fair values of these investment properties involves significant management judgment and consideration of various inputs to the estimation. The valuation also requires the assistance of professionally qualified external appraiser whose calculations also depend on certain assumptions such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors. Furthermore, the investment properties represented 21% of the consolidated total assets as at December 31, 2018. Accordingly, we considered the valuation of investment properties as a key audit matter.

The Group's disclosures about investment properties are presented in Note 12 to the consolidated financial statements.

Audit response

We considered the competence, objectivity, capabilities of the external appraiser given its qualifications, experience and reporting responsibilities. We involved our internal specialist in the review of the methodology and assumptions used in the valuation of the investment properties. We assessed the methodology adopted by referencing to common valuation models, and evaluated key inputs used in the valuation, specifically size, characteristics of lot, location and quality as well as listings of comparable properties by reference to historical data and comparable properties. We inquired from the external appraiser the basis of adjustments made to the sales price. We also reviewed the disclosures relating to investment properties.

Recoverability of Deferred Exploration Costs

Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, the Group's deferred exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceed the recoverable amounts. The ability of the Group to recover its deferred exploration costs depends on the success of exploration for and evaluation of geothermal and other renewable resources in the specific area. Deferred exploration costs amounted to ₱123.04 million as at December 31, 2018, which pertains to the Group's participating interests in geothermal and other renewable resources service contracts. The Group recognized additional allowance for impairment of deferred exploration costs amounting to ₱2.98 million in 2018. We considered this as a key audit matter in view of the materiality of this account and the significant management judgment required when performing an impairment assessment.

Information about the Group's deferred exploration costs are presented in Note 13 to the consolidated financial statements.

Audit response

We obtained management's assessment on whether there is any indication that deferred exploration costs may be impaired. We obtained and reviewed the summary of the status of each exploration project as at December 31, 2018, as certified by the Group's drilling and logistics manager, and compared it with the disclosures submitted to the regulatory agency. We also inspected service contracts and the relevant joint operations agreement for each of the exploration projects to determine that the period for which the Group has the right to explore in the specific area has not expired or is not expiring in the near future. We also read the minutes of the meetings of the Group's Board of Directors for the discussion of management plans and significant developments on the service contracts or of any concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leovina Mae V. Chu.

SYCIP GORRES VELAYO & CO.

Leovina Mae V. Chu

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1712-A (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 7332629, January 3, 2019, Makati City

March 28, 2019

BASIC ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ICTD APR 15 2019

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱42,093,952**	₱75,029,384
Receivables (Notes 7 and 12)	**127,372,857**	2,687,022
Refundable deposits (Note 8)	**16,183,711**	171,429,108
Prepayments and other current assets (Note 9)	**12,888,673**	11,864,021
Total Current Assets	**198,539,193**	261,009,535
Noncurrent Assets		
Financial assets at FVOCI (Note 10)	**44,336,517**	–
Available-for-sale (AFS) financial assets (Note 10)	–	46,051,128
Investments in associates (Note 11)	**217,136,156**	–
Investment properties (Note 12)	**160,879,000**	275,380,505
Deferred exploration costs (Note 13)	**123,042,519**	114,658,256
Property and equipment (Note 14)		
At revalued amount	**23,302,327**	25,593,527
At cost	**17,730,064**	20,479,445
Other noncurrent assets	**3,372,320**	9,080,247
Total Noncurrent Assets	**589,798,903**	491,243,108
TOTAL ASSETS	**₱788,338,096**	₱752,252,643
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 15)	**₱8,994,164**	₱6,979,960
Loan payable (Note 16)	**50,000,000**	50,000,000
Dividends payable	**888,714**	888,714
Income tax payable	**216,908**	11,800
Advances from stockholder (Note 19)	–	6,670,782
Total Current Liabilities	**60,099,786**	64,551,256
Noncurrent Liabilities		
Deferred income tax liabilities - net (Note 22)	**15,006,350**	12,099,296
Accrued retirement benefits (Note 21)	**7,867,346**	3,059,130
Total Noncurrent Liabilities	**22,873,696**	15,158,426
Total Liabilities	**82,973,482**	79,709,682

(Forward)

	December 31	
	2018	2017
Equity Attributable to Equity Holders of the Parent Company		
Common stock (Note 17)	**₱703,848,178**	₱677,125,178
Additional paid-in capital (Note 17)	**42,021,503**	35,617,951
Equity reserve on acquisition of non-controlling interest (Note 17)	**(53,945,929)**	(53,945,929)
Other comprehensive income:		
Revaluation increment in office condominium (Note 14)	**15,747,863**	17,296,833
Net unrealized gains on changes in fair value of financial assets at FVOCI and AFS financial assets (Note 10)	**1,183,379**	2,897,990
Remeasurement gains on accrued retirement benefits (Note 21)	**1,751,984**	2,163,118
Cumulative translation adjustment (CTA)	**(4,374,615)**	(4,423,295)
Share in cumulative translation adjustments of associates (Note 11)	**27,544,449**	–
Retained earnings (deficit)	**(15,810,752)**	7,761,901
Equity Attributable to Equity Holders of the Parent Company	**717,966,060**	684,493,747
Equity Attributable to Non-controlling Interests (Note 17)	**(9,361,446)**	(8,710,786)
	708,604,614	675,782,961
Treasury stock - at cost (Note 17)	**(3,240,000)**	(3,240,000)
Total Equity	**705,364,614**	672,542,961
TOTAL LIABILITIES AND EQUITY	**₱788,338,096**	₱752,252,643

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2018	2017	2016
INCOME			
Excess in net assets acquired over cost of associate (Note 11)	₱24,184,059	₱–	₱–
Fair value adjustment on investment properties (Note 12)	21,394,000	–	71,955,696
Realized foreign exchange gains - net	7,589,474	144,186	24,243
Management fee (Note 19)	2,967,471	–	–
Interest income (Note 18)	2,071,143	3,292,064	4,633,256
Unrealized foreign exchange gains - net	1,488,509	–	16,414,280
Reversal of allowance for impairment on receivables (Note 7)	590,941	–	–
Dividend income (Note 10)	1,280	3,625,953	4,820,629
Gain on sale of AFS financial assets (Note 10)	–	1,680,256	–
Gain on sale of property and equipment	–	–	1,611
	60,286,877	8,742,459	97,849,715
EXPENSES (CHARGES)			
General and administrative expenses (Note 20)	56,423,495	55,655,931	51,954,997
Loss on sale of investment properties (Note 12)	10,728,788	–	–
Share in net loss of associates (Note 11)	5,077,498	–	–
Goodwill impairment loss	3,757,602	–	–
Interest expense (Note 16)	3,415,799	444,792	–
Provision for impairment of deferred exploration costs (Note 13)	2,946,624	–	166,713,571
Unrealized foreign exchange loss - net	–	1,375,008	–
	82,349,806	57,475,731	218,668,568
LOSS BEFORE INCOME TAX	22,062,929	48,733,272	120,818,853
PROVISION FOR INCOME TAX (Note 22)			
Final	409,192	648,738	922,634
Current	216,908	11,800	7,424
Deferred	3,083,254	8,850,560	2,711,401
	3,709,354	9,511,098	3,641,459
NET LOSS	₱25,772,283	₱58,244,370	₱124,460,312
NET LOSS ATTRIBUTABLE TO:			
Equity holders of the Parent Company	₱25,121,623	₱58,104,275	₱75,648,092
Non-controlling interests (Note 17)	650,660	140,095	48,812,220
	₱25,772,283	₱58,244,370	₱124,460,312
LOSS PER SHARE (Note 23)			
Basic/Diluted	₱0.009	₱0.022	₱0.030

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
NET LOSS	₱25,772,283	₱58,244,370	₱124,460,312
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Unrealized loss on changes in fair value of:			
Financial assets at FVOCI (Note 10)	(2,214,611)	–	–
AFS financial assets (Note 10)	–	(2,740,758)	111,396
Share in cumulative translation adjustments of associates (Note 11)	27,544,449	–	–
Movement in cumulative translation adjustments	48,680	974,805	(4,693,215)
	25,378,518	(1,765,953)	(4,581,819)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on retirement benefits liability (Note 21)	(587,334)	9,805,648	(194,960)
Income tax effect	176,200	(2,941,694)	58,488
	(411,134)	6,863,954	(136,472)
Unrealized gain on changes in fair value of financial assets at FVOCI (Note 10)	500,000	–	–
Revaluation increment in office condominium (Note 14)	–	–	10,802,318
Income tax effect	–	–	(3,240,695)
	–	–	7,561,623
	88,866	6,863,954	7,425,151
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	25,467,384	5,098,001	2,843,332
TOTAL COMPREHENSIVE LOSS	₱304,899	₱53,146,369	₱121,616,980
TOTAL COMPREHENSIVE LOSS (INCOME) ATTRIBUTABLE TO:			
Equity holders of the Parent Company	(₱345,761)	₱53,105,883	₱72,364,304
Non-controlling interest	650,660	40,486	49,252,676
	₱304,899	₱53,146,369	₱121,616,980

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	Equity Attributable to Equity Holders of the Parent Company													
	Common Stock (Note 17)	Additional Paid-in Capital (Note 17)	Equity Reserve on Acquisition of Non-controlling Interest (Note 17)	Deposit for Future Stock Subscription (Note 17)	Revaluation Increment in Office Condominium (Note 14)	Net Unrealized Gain (Loss) on Changes in Fair Value of Financial Assets at FVOCI and AFS Financial Assets (Note 10)	Remeasurement Gain (Loss) on Accrued Retirement Benefits (Note 21)	Cumulative Translation Adjustment	Share in Cumulative Translation Adjustments of Associates (Note 11)	Retained Earnings (Deficit)	Subtotal	Equity Attributable to Non-controlling Interests (NCI) (Note 17)	Treasury Stock (Note 17)	Total E[illegible]
Balances at December 31, 2015	**P640,029,628**	**P32,699,360**	**P–**	**P–**	**P12,805,479**	**P5,527,352**	**(P4,564,364)**	**(P1,045,732)**	**P–**	**P138,443,999**	**P823,895,722**	**(P13,769,176)**	**(P3,240,000)**	**P806,33[illegible]**
Net loss	–	–	–	–	–	–	–	–	–	(75,648,092)	(75,648,092)	(48,812,220)	–	(124,46[illegible]
Other comprehensive income, net of tax	–	–	–	–	7,561,623	111,396	(136,472)	(4,252,759)	–	–	3,283,788	(440,456)	–	2,84[illegible]
Total comprehensive income (loss)	–	–	–	–	7,561,623	111,396	(136,472)	(4,252,759)	–	(75,648,092)	(72,364,304)	(49,252,676)	–	(121,61[illegible]
Deposits for future stock subscriptions	–	–	–	13,941,078	–	–	–	–	–	–	13,941,078	–	–	13,94[illegible]
Transfer of portion of revaluation increment realized through depreciation	–	–	–	–	(1,521,298)	–	–	–	–	1,521,298	–	–	–	
Balances at December 31, 2016	**640,029,628**	**32,699,360**	**–**	**13,941,078**	**18,845,804**	**5,638,748**	**(4,700,836)**	**(5,298,491)**	**–**	**64,317,205**	**765,472,496**	**(63,021,852)**	**(3,240,000)**	**699,21[illegible]**
Net loss	–	–	–	–	–	–	–	–	–	(58,104,275)	(58,104,275)	(140,095)	–	(58,24[illegible]
Other comprehensive income, net of tax	–	–	–	–	–	(2,740,758)	6,863,954	875,196	–	–	4,998,392	99,609	–	5,09[illegible]
Total comprehensive income (loss)	–	–	–	–	–	(2,740,758)	6,863,954	875,196	–	(58,104,275)	(53,105,883)	(40,486)	–	(53,14[illegible]
Issuance of capital stock	26,204,083	–	–	–	–	–	–	–	–	–	26,204,083	–	–	26,20[illegible]
Share issue cost	–	(131,020)	–	–	–	–	–	–	–	–	(131,020)	–	–	(13[illegible]
Conversion of deposit for future subscription to capital stock	10,891,467	3,049,611	–	(13,941,078)	–	–	–	–	–	–	–	–	–	
Excess of acquisition cost over carrying value of non-controlling interest	–	–	(53,945,929)	–	–	–	–	–	–	–	(53,945,929)	54,351,552		40[illegible]
Transfer of portion of revaluation increment realized through depreciation	–	–	–	–	(1,548,971)	–	–	–	–	1,548,971	–	–		
Balances at December 31, 2017	**677,125,178**	**35,617,951**	**(53,945,929)**	**–**	**17,296,833**	**2,897,990**	**2,163,118**	**(4,423,295)**	**–**	**7,761,901**	**684,493,747**	**(8,718,786)**	**(3,240,000)**	**672,54[illegible]**
Net loss	–	–	–	–	–	–	–	–	–	(25,121,623)	(25,121,623)	(650,660)	–	(25,77[illegible]
Other comprehensive income, net	–	–	–	–	–	(1,714,611)	(411,134)	48,680	27,544,449	–	25,467,384	–	–	25,46[illegible]
Total comprehensive income (loss)	–	–	–	–	–	(1,714,611)	(411,134)	48,680	27,544,449	(25,121,623)	345,761	(650,660)	–	(30[illegible]
Issuance of capital stock	26,723,000	6,670,782	–	–	–	–	–	–	–	–	33,393,782	–	–	33,39[illegible]
Share issuance cost	–	(267,230)	–	–	–	–	–	–	–	–	(267,230)	–	–	(26[illegible]
Transfer of portion of revaluation increment realized through depreciation	–	–	–	–	(1,548,970)	–	–	–	–	1,548,970	–	–	–	
Balances at December 31, 2018	**P703,848,178**	**P42,021,503**	**(P53,945,929)**	**P–**	**P15,747,863**	**P1,183,379**	**P1,751,984**	**(P4,374,615)**	**P27,544,449**	**(P15,810,752)**	**P717,946,060**	**(P9,361,446)**	**(P3,240,000)**	**P705,34[illegible]**

See accompanying Notes to Consolidated Financial Statements

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	(₱22,062,929)	(₱48,733,272)	(₱120,818,853)
Adjustments for:			
Excess of net assets acquired over cost of associate (Note 11)	(24,184,059)	–	–
Fair value adjustment on investment properties (Note 12)	(21,394,000)	–	(71,955,696)
Loss on sale of investment properties (Note 12)	10,728,788	–	–
Depreciation and amortization (Note 14)	5,242,050	5,421,968	3,586,931
Share in net loss of associates (Note 11)	5,077,498	–	–
Retirement expense (Note 21)	4,220,882	6,452,891	6,022,191
Goodwill impairment loss	3,757,602	–	–
Interest expense (Note 16)	3,415,799	444,792	–
Provision for impairment of deferred exploration costs (Note 13)	2,946,624	–	166,713,571
Interest income (Note 18)	(2,071,143)	(3,292,064)	(4,633,256)
Unrealized foreign exchange losses (gains) - net	(1,439,829)	1,375,008	(16,414,280)
Reversal of impairment loss on receivable (Note 7)	(590,941)	–	–
Dividend income (Note 10)	(1,280)	(3,625,953)	(4,820,629)
Gain on sale of AFS financial assets (Note 10)	–	(1,680,256)	–
Gain on sale of property and equipment (Note 14)	–	–	(1,611)
Operating loss before working capital changes	(36,354,938)	(43,636,886)	(42,321,632)
Increase in:			
Receivables	(3,208,671)	(761,717)	(40,046)
Prepayments and other current assets	(1,024,652)	(3,896,401)	(3,771,971)
Increase (decrease) in accounts payable and accrued expenses	2,014,204	(236,261)	2,566,861
Cash used in operations	(38,574,057)	(48,531,265)	(43,566,788)
Contributions to the retirement fund (Note 21)	–	(7,000,000)	(6,500,000)
Interest received	2,227,454	3,079,342	4,633,256
Income taxes paid	(420,992)	(656,162)	(2,042,065)
Net cash flows used in operating activities	(36,767,595)	(53,108,085)	(47,475,597)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments in associates (Notes 8 and 11)	(32,235,151)	–	–
Receipt (payment) of refundable deposits (Note 8)	22,819,500	(171,712,161)	–
Additions to:			
Deferred exploration costs (Note 13)	(11,330,887)	(29,873,551)	(29,933,862)
Property and equipment (Note 14)	(179,098)	(3,249,645)	(180,029)
Dividends received	1,280	4,414,206	4,820,629
Proceeds from sale of:			
Investment properties	4,124,183	–	–
AFS financial assets	–	88,210,256	25,000,000
Property and equipment	–	–	10,780
Increase in other noncurrent assets	(3,037,566)	(1,865,043)	(467,714)
Net cash flows used in investing activities	(19,837,739)	(114,075,938)	(750,196)

(Forward)

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Issuance of capital stock (Note 17)	₱26,455,770	₱26,073,063	₱–
Loan availment (Note 16)	–	50,000,000	–
Advances from stockholder (Note 19)	–	6,670,782	–
Deposit for future stock subscription (Note 17)	–	–	13,941,078
Interest paid (Note 16)	(3,415,799)	(444,792)	–
Net cash flows from financing activities	23,039,971	82,299,053	13,941,078
NET DECREASE IN CASH AND CASH EQUIVALENTS	(33,565,363)	(84,884,970)	(34,284,715)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	629,931	288,473	(7,104,470)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	75,029,384	159,625,881	201,015,066
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱42,093,952	₱75,029,384	₱159,625,881

See accompanying Notes to Consolidated Financial Statements.

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

Corporate Information
Basic Energy Corporation (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.

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.

The Philippine Stock Exchange (PSE) has issued a memorandum stating the sector and subsector reclassification of the Parent Company. From Oil subsector of the Mining and Oil Sector, it has been changed to Electricity, Energy, Power and Water subsector of the Industrial sector. This is the result of PSE's review of the Parent Company's plans and prospects, and in consideration of the Parent Company's recent developments and change in business activity. The reclassification took effect on October 24, 2016.

In April 10, 2018, SEC approved the amendment of Article Four of the Parent Company's Amended Articles of Incorporation for the extension of its corporate life for 50 years from and after September 19, 2018.

The Parent Company's registered business address is at 7th Floor, Basic Petroleum Building, C. Palanca Jr. Street, Legaspi Village, Makati City.

Authorization for the Issuance of the Consolidated Financial Statements
The consolidated financial statements as at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016, were authorized for issue by the Board of Directors (BOD) on March 28, 2019.

2. Basis of Preparation, Basis of Consolidation and Statement of Compliance

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at December 31, 2018 and 2017, and for the years ended December 31, 2018, 2017 and 2016.

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 (NCI) even if this results in the NCI having a deficit balance.

The ownership of the Parent Company over the following subsidiaries as at December 31, 2018 and 2017 are as follows:

Subsidiaries	% of Ownership	County of Incorporation	Nature of Business
Basic Diversified Industrial Holdings, Inc. (BDIHI)	100.00	Philippines	Investment holding
iBasic, Inc. (iBasic)	100.00	Philippines	Information technology
Basic Renewables, Inc. (BRI)	100.00	Philippines	Exploration, development and utilization of renewable energy resources
Basic Biofuels Corporation (BBC)	100.00	Philippines	Development of biofuels
Basic Geothermal Energy Corporation (BGEC)	100.00	Philippines	Exploration and development of geothermal energy resources
Grandway Group Limited (Grandway)	100.00	Hong Kong	Investment holding
PT Basic Energi Solusi (PT BES)	95.00	Indonesia	Oil exploration
Southwest Resources, Inc. (SRI)	72.58	Philippines	Oil exploration and investment holding

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 held 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% direct equity interest in the net assets of SRI and 5.00% indirect equity interest in the net assets of PT BES as at December 31, 2018 and 2017.

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 (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 (PFRSs).

3. Changes in Accounting Policies and Disclosures

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2018.

- Amendments to PFRS 2, *Share-based Payment*, Classification and Measurement of Share-based Payment Transactions

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  Adoption of these amendments did not have any impact on the consolidated financial statements.

- PFRS 9, *Financial Instruments*

  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. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 from January 1, 2018 resulted in changes in accounting policies, particularly on the accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach, but did not have a material impact on the consolidated financial statements. Also, the Group's financial assets previously classified as loans and receivables under PAS 39 are classified as financial assets at amortized cost under PFRS 9, while the investments in debt securities and equity securities previously classified as available-for-sale (AFS) financial assets under PAS 39 are classified as financial assets at FVOCI under PFRS 9. The adoption of PFRS 9 did not result to changes in the classification and measurement of financial liabilities. The Group has provided other required information in Note 27 to the consolidated financial statements.

  The table below illustrates the classification and measurement of financial instruments under PFRS 9 and PAS 39 at the date of initial application.

Financial Assets	Original Measurement Category Under PAS 39	Original Carrying Amount Under PAS 39	New Measurement Category Under PFRS 9	New Carrying Amount Under PFRS 9
Cash and cash equivalents	Loans and receivables	₱75,029,384	Financial assets at amortized cost	₱75,029,384
Receivables	Loans and receivables	2,687,022	Financial assets at amortized cost	2,687,022
Refundable deposits	Loans and receivables	171,429,108	Financial assets at amortized cost	171,429,108
Investments in:				
Debt securities	AFS financial assets	39,839,205	Financial asset at FVOCI with recycling	39,839,205
Equity securities	AFS financial assets	6,211,923	Financial asset at FVOCI without recycling	6,211,923

- Amendments to PFRS 4, *Insurance Contracts*, Applying PFRS 9 with PFRS 4

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments were not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that applies to revenue arising from contracts with customers. Under PFRS 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 PFRS 15 provide a more structured approach to measuring and recognizing revenue.

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under PFRS 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 standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group adopted PFRS 15 using the modified retrospective method of adoption.

The Group undertook an analysis of the impact of the new revenue standard based on a review of the contractual terms of its management services agreement and assessed that the amount and timing of revenue recognized under PFRS 15 is the same as that under PAS 18.

Adoption of the standard did not have a significant impact on the consolidated financial statements.

- Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014–2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  The adoption of these amendments did not have any impact on the consolidated financial statements.

- Amendments to PAS 40, *Investment Property*, Transfers of Investment Property

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

  Since the Group's current practice was in line with the clarifications issued, the adoption of these amendments did not have any significant effect on its consolidated financial statements.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or nonmonetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  Since the Group's current practice was in line with the clarifications issued, the adoption of these interpretations did not have any significant effect on its consolidated financial statements.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective Beginning on or after January 1, 2019

- Amendments to PFRS 9, Prepayment Features with Negative Compensation

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The amendments have no impact on the consolidated financial statements as the Group has no debt instrument with negative compensation prepayment feature.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The Group is currently assessing the impact of this amendment on the consolidated financial statements.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

- Annual Improvements to PFRSs 2015–2017 Cycle

    - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, Previously Held Interest in a Joint Operation

      The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

      A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

      An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

      These amendments are currently not applicable to the Group but may apply to future transactions.

    - Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity

      The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

      An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

    - Amendments to PAS 23, *Borrowing Costs*, Borrowing Costs Eligible for Capitalization

      The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

      An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

      The amendments are not applicable to the Group as it has no borrowings intended to develop a qualifying asset.

Effective Beginning on or after January 1, 2020

- Amendments to PFRS 3, Definition of a Business

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply to future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Definition of Material

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective Beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. Summary of Significant Accounting Policies

Presentation of Consolidated Financial Statements
The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss (consolidated statement of income) and a second statement beginning with profit or loss and displaying components of other comprehensive income (OCI; consolidated statement of comprehensive 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 12 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 12 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 12 months after the end of the financial reporting period.

The Group classifies all other liabilities as noncurrent.

Fair Value Measurement
The Group measures financial assets at FVOCI, AFS financial assets and investment properties, at fair value at each end of the 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 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.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business at the end of the financial reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow (DCF) analysis or other valuation models.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level in the fair value hierarchy as explained above.

An analysis of the fair values of financial assets at FVOCI and investment properties and further details as to how they are measured are provided in Note 26.

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 (Prior to Adoption of PFRS 9)

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 (i.e., the date that the Parent Company commits to purchase or sell the asset).

Initial Recognition and Measurement. 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 fair value through profit or loss (FVPL).

- *Financial Assets.* Financial assets within the scope of PAS 39 are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and available-for-sale (AFS) financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

- *Financial Liabilities.* Also under PAS 39, financial liabilities are classified as financial liabilities at FVPL, derivatives designated as hedging instruments in an effective hedge, or as other financial liabilities. 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.

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

- *Loans and Receivables.* Loans and receivables are nonderivative 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 losses arising from impairment are recognized in the consolidated statement of 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 12 months from the financial reporting date or within the Parent Company's operating cycle. 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" account until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated statement of income, or determined to be impaired, at which time the cumulative loss is reclassified to consolidated statement of income 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 the consolidated statement of income over the remaining life of the investment using the EIR method. 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 consolidated statement of income.

- *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 EIR 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 EIR. 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.

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 income (charges) - net" in the consolidated statement of income.

Other financial liabilities are included in current liabilities if settlement is to be made within 12 months from the financial reporting date. Otherwise, these are classified as noncurrent liabilities.

Impairment of Financial Assets (Prior to Adoption of PFRS 9)
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 and the amount of the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest income" in the consolidated statement of income.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment loss was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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.

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 income.

Impairment losses on equity investments are not reversed through consolidated statement of income while increases in the 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 "Interest income" account in the consolidated statement of 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 statement of income, the impairment loss is reversed through consolidated statement of income.

Financial Instruments (Upon Adoption of PFRS 9)
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Instruments: Financial Assets

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at Amortized Cost (Debt Instruments). The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes "Cash and cash equivalents", "Receivables", and "Refundable deposits" in the consolidated statement of financial position.

Financial Assets at Fair Value through OCI (Debt Instruments). The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income is recognized in the consolidated statement of income while foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments.

Financial Assets at Fair Value through OCI (Equity Instruments). Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investments in unquoted equity securities under this category.

Impairment of Financial Assets. The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial Instruments: Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss (FVTPL), loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include "Accounts payable and accrued expenses", "Loan payable", "Dividends payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards).

Subsequent Measurement - Loans and Borrowings. This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss 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 is included as finance costs under the "Interest expense" in the consolidated statement of comprehensive income.

<u>Derecognition of Financial Assets and Financial Liabilities (Prior to Adoption of PFRS 9)</u>

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flow from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset 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 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 the consolidated statement of 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.

Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Prepayments and Other Current Assets

Prepayments. Prepayments are expenses paid in advance and recorded as assets 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 consolidated statement of income when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets otherwise, these are classified as other noncurrent assets.

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

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 the consolidated statement of income 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 statement of income in the year of retirement or disposal.

Property and Equipment

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

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

Any revaluation increment is credited to the "Revaluation increment in office condominium" account in the equity section of the consolidated statement 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 the consolidated statement of income 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
Machinery and equipment	10
Transportation equipment	5
Building and building improvements	15
Office equipment, furniture and fixtures	3
Office condominium	15

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.

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 income in the year the item is derecognized.

Fully depreciated assets are retained in the accounts until they are no longer in use.

Deferred Exploration 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) or Geophysical Survey and Exploration Contract]. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

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

Impairment of Nonfinancial Assets

Deferred Exploration 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.

Investment Properties, 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 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 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 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 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.

Impairment losses are recognized in the consolidated statement of income.

Equity

Capital Stock. 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.

Additional Paid-in Capital. 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. Incremental costs that are directly attributable to the issuance of new shares are charged to this account.

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 BOD 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.

Other Comprehensive Income. Other comprehensive income 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.

Retained Earnings. The amount included in retained earnings includes cumulative profit or 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.

Basic/Diluted Loss per Share

Basic Loss per Share. Basic loss per share amounts are calculated by dividing the net loss 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 Loss per Share. Diluted loss per share amounts are calculated by dividing the net loss 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

The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Prior to 2018, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.

Interest Income. Interest income from bank deposits is recognized as it accrues using the effective interest rate method.

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

Other Income. Other income, which normally includes sale of property and equipment, is recognized as revenue when earned and received.

Expenses

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. Expenses are generally recognized when the services are used or the expense arises while interest expenses are accrued in the appropriate financial reporting date.

Retirement Benefits

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 the consolidated statement of income. 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, *Employee Benefits*, 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.

<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 the consolidated statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

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

Related Party Transactions

Transactions with related parties are accounted for based on the nature and substance of the agreement, and financial effects are included in the appropriate asset, liability, income and expense accounts.

Segment Information
The Group considers investment holding and geothermal energy projects 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.

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 - net" in the consolidated statement of income under "Unrealized foreign exchange gain (loss) - net" account.

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 in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits 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.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRSs requires management to make judgments, estimates and assumptions 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:

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.

Determination of Significant Influence over an Investee Company. The Group has 15% interest each in VEPC and VINTER, which is below the 20% threshold where significant influence is presumed under PAS 28. The Group considers its 15% investments each in VEPC and VINTER as investments in associates as it concluded that it has significant influence over the operating and financial policies of its investments in associates due to the following:

- representation in the BOD;
- participation in policy-making processes, including participation in decisions about dividends and other distributions; and
- material transactions between the investor and investee.

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

Capitalization of Exploration and Evaluation Costs. Careful judgment of management is applied when deciding whether the recognition requirements for exploration and evaluation assets relating to the Group's exploration projects 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.

Contractual Cash Flows Assessment (Applicable upon adoption of PFRS 9). Beginning January 1, 2018, for each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.
In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Evaluation of Business Model in Managing Financial Instruments (Applicable upon adoption of PFRS 9). Beginning January 1, 2018, the Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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 impairment. 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 Provision for Expected Credit Losses (Upon Adoption of PFRS 9). The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for each counterparty.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Group's receivables is disclosed in Note 27.

The carrying values of receivables amounted to ₱127.37 million and ₱2.69 million as at December 31, 2018 and 2017, respectively, net of allowance for impairment loss amounting to ₱2.14 million and ₱2.73 million as at December 31, 2018 and 2017, respectively (see Note 7).

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 ₱3.55 million as at December 31, 2017 (see Note 10).

As at December 31, 2017, the Group assessed that there were no impairment indicators on its financial assets at FVOCI. The carrying value of the Group's financial assets at FVOCI amounted to ₱46.05 million as at December 31, 2017 (see Note 10).

Revaluation of Office Condominium and Investment Properties. The Group carries its investment properties at fair value with changes in fair value recognized in the consolidated statement of income, and carries its office condominium at revalued amount with changes in fair value recognized in the consolidated statement of changes in equity. The Group engaged an external appraiser to assess the fair value of its investment properties as at December 31, 2018.

For investment properties, a valuation methodology based on market approach was used, which is a comparative approach that considers the sales of similar or substitute assets and related market data and establishes a value estimate by processes involving comparison. In addition, it measures the office condominium at revalued amount, with changes in fair value being recognized in OCI. The market approach was used for the office condominium, which provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. The key assumptions used to determine the fair value of the properties are provided in Note 26.

Revaluation increase on office condominium recognized under OCI in 2016 amounted to ₱7.56 million, net of the applicable tax. Net book value of revalued office condominium amounted to ₱23.30 million and ₱25.59 million as at December 31, 2018 and 2017, respectively (see Note 14).

In 2018, the Group recognized fair value adjustment on its investment properties amounting to ₱21.39 million. The carrying value of investment properties amounted to ₱160.88 million and ₱275.38 million as at December 31, 2018 and 2017, respectively (see Note 12).

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, 2018 and 2017, 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, amounted to ₱17.73 million and ₱20.48 million as at December 31, 2018 and 2017, respectively (see Note 14).

Impairment of Investments in Associate. The Group determines whether there is objective evidence that the investments in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss in the consolidated statement of income.

Impairment and Write-off of Deferred Exploration Costs. The Group assesses impairment on deferred exploration costs 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 exploration costs, 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.

The Group recognized provision for impairment of deferred exploration costs amounting to ₱2.95 million, nil and ₱166.71 million in 2018, 2017 and 2016, respectively. The carrying amount of deferred exploration costs, net of allowance for impairment loss, amounted to ₱123.04 million and ₱114.66 million as at December 31, 2018 and 2017, respectively (see Note 13).

Estimation of Retirement Benefits. The cost of defined benefit pension plan as well as the present value of the defined benefit obligation is determined using actuarial valuation. The actuarial valuation involves making various assumptions which include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. The assumptions made by the Group resulted in accrued retirement benefits amounting to ₱7.87 million and ₱3.06 million as at December 31, 2018 and 2017, respectively (see Note 21).

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.

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 and some portion of NOLCO and MCIT.

The Group's deferred income tax assets amounted to nil and ₱3.39 million as at December 31, 2018 and 2017, respectively. Deductible temporary differences and MCIT for which no deferred income tax assets were recognized as at December 31, 2018 and 2017 are presented in Note 22.

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 (DCF) 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 ₱21.39 million in 2018 which was based on the latest appraisal reports in 2018 for the parcels of land in Bolinao, Pangasinan, Tanay, Rizal, and Gutalac, Zamboanga del Norte. The carrying value of the Group's investment properties amounted to ₱160.88 million and ₱275.38 million as at December 31, 2018 and 2017, respectively (see Note 12).

6. Cash and Cash Equivalents

	2018	2017
Cash on hand and in banks	**₱30,811,958**	₱11,180,736
Cash equivalents	**11,281,994**	63,848,648
	₱42,093,952	₱75,029,384

Cash in banks and cash equivalents earn interest at the respective bank deposit rates. Cash equivalents are short-term investments made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group.

Interest income on the Group's cash in bank and cash equivalents amounted to ₱0.52 million, ₱1.09 million and ₱1.62 million in 2018, 2017 and 2016, respectively (see Note 18).

7. Receivables

	2018	2017
Accounts receivable (see Note 12)	**₱129,263,232**	₱4,713,731
Interest receivable	**200,262**	356,573
Advances to officers and employees	**51,369**	349,665
	129,514,863	5,419,969
Less allowance for credit/impairment losses	**2,142,006**	2,732,947
	₱127,372,857	₱2,687,022

Accounts receivable are short-term, noninterest-bearing receivables from third parties and are generally settled on a 90-day term. Interest receivable arises from the Group's cash equivalents and 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.

The following table shows the movement in the allowance for impairment losses:

	2018	2017
At January 1	**₱2,732,947**	₱2,732,947
Reversal	**(590,941)**	–
At December 31	**₱2,142,006**	₱2,732,947

In 2018, the Group collected its receivable from a related party and reversed the related allowance for impairment loss previously recognized for the receivable.

8. Refundable Deposits

On October 26, 2017, the Parent Company's BOD approved the planned investments on various companies. The Parent Company paid refundable deposits to the following prospective investees which will form part of the Parent Company's investments in these companies subject to the satisfactory result of its due diligence audits.

	2018	2017
Innocent Biomass Power GK (IBP)	**₱16,183,711**	₱15,325,133
Vintage EPC Co. Ltd. (VEPC) and VTE International Construction Co. Ltd (VINTER)	–	133,284,475
Solmax Power Limited (Solmax)	–	22,819,500
	₱16,183,711	₱171,429,108

a. 10% equity investment in IBP, a limited liability company incorporated and existing under the Laws of Japan - Under the signed investment term sheet, dated December 6, 2017, the intention of the parties is to enter into a binding Shareholders Agreement (SHA) between the Parent Company and IBP. The Parent Company intends to invest up to 10% of the total equity of IBP, with an option to increase to 20%, subject to discussion between the Parent Company and IBP after satisfactory results of the due diligence work on IBP and its 25MW Biomass Power Plant project located in Japan.

   As of December 31, 2018, the due diligence work conducted by the Parent Company is still ongoing.

b. Up to 15% equity investment in VEPC, and VINTER limited companies formed and existing under the Laws of Thailand, which are wholly owned and controlled by Meta Corp. Public Co. Ltd. (META; formerly Vintage Engineering Public Co. Ltd.) - The intention of the Parent Company and META is to enter into a binding Share Purchase Agreement (SPA). The Parent Company invested 15% each of the total equity of VEPC and VINTER, with an option to increase the interest up to 20%.

VEPC and Vinter are the first counter-parties of Green Earth Power (GEP) Myanmar for the supply and construction service requirements of the Engineering, Procurement and Construction (EPC) sub-contractor engaged for the 220MW solar power plant of GEP Myanmar.

On June 27, 2018, the Parent Company entered into a SPA with META to acquire 15% shareholding each in VEPC and VINTER for a total consideration of ₱145.05 million. Consequently, the Parent Company applied the refundable deposit amounting to ₱133.28 million as partial payment to the acquisition cost (see Note 11).

c. 10% equity investment in Solmax, a limited company formed and existing under the laws of Hong Kong - Solmax initially identified two (2) solar power projects in Japan, namely; (1) 8MWdc Ibaraki Project and (2) 7MWdc Shimane Project, among other projects. The intention of the Parent Company and Solmax is to enter into a binding investment agreement (IA) upon satisfactory result of the due diligence audit.

On September 28, 2018, the Parent Company, upon mutual agreement with Solmax, withdrew the planned equity investment. In line with this, Solmax returned in full the refundable deposit to the Parent Company in December 2018.

9. Prepayments and Other Current Assets

	2018	2017
Input VAT	₱12,583,024	₱11,215,298
Prepaid expenses	305,649	648,723
	₱12,888,673	₱11,864,021

Input VAT represents VAT paid on domestic purchases of goods and services. Prepaid expenses mainly consist of prepayments of the Group on rent, membership dues, life and non-life insurance, and communication expenses.

10. Financial Assets at FVOCI and AFS Financial Assets

	2018	2017
Financial Assets at FVOCI		
Quoted debt securities	₱37,624,594	₱–
Quoted shares of stock	6,711,923	–
AFS Financial Assets		
Quoted debt securities	–	39,839,205
Quoted shares of stock - net of allowance for impairment losses amounting to ₱3.55 million	–	6,211,923
	₱44,336,517	₱46,051,128

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

The movements in financial assets at FVOCI and AFS financial assets are as follows:

	2018	2017
At January 1	**₱46,051,128**	₱135,321,886
Disposal	**–**	(86,530,000)
Unrealized losses	**(1,714,611)**	(2,740,758)
At December 31	**₱44,336,517**	₱46,051,128

The Group's investment in equity securities amounting to ₱86.53 million was sold in 2017.

Annual interest rates in 2018 and 2017 on these debt securities ranged from 4.50%–4.84%. Interest income earned on these securities amounted to ₱1.55 million, ₱2.20 million and ₱3.01 million in 2018, 2017 and 2016, respectively (see Note 18).

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

	2018	2017
At January 1	**₱2,897,990**	₱5,638,748
Unrealized valuation loss for the year	**(1,714,611)**	(4,421,014)
Realized gain on sale of AFS financial assets	**–**	1,680,256
At December 31	**₱1,183,379**	₱2,897,990

Dividend income earned from quoted equity shares amounted to ₱1,280, ₱3.63 million and ₱4.82 million in 2018, 2017 and 2016, respectively.

11. Investments in Associates

	VEPC	VINTER	Total
Acquisition cost:			
At July 2, 2018	₱131,137,160	₱13,914,930	₱145,052,090
Addition	–	25,433,056	25,433,056
At December 31, 2018	131,137,160	39,347,986	170,485,146
Accumulated equity in net earnings and OCI:			
Share in net loss for the period from July 2, 2018 to December 31, 2018	(4,114,968)	(962,530)	(5,077,498)
Excess in net assets acquired over cost	24,184,059	–	24,184,059
Cumulative translation adjustments	21,025,356	6,519,093	27,544,449
	₱172,231,607	₱44,904,549	₱217,136,156

On July 2, 2018, the Group acquired a 15% interest each in VEPC and VINTER, companies incorporated under the laws of Thailand, which are engaged in the engineering, procurement and construction services. The investments are accounted for using the equity method in the consolidated financial statements. VEPC's and VINTER's principal place of business is located at 128 Soi Liang Muang Nonthaburi 10, Tambon Bangkasor, Amphur Muang Nonthaburi, Nonthaburi, 11000, Thailand.

The following table shows the summarized financial information of VEPC and VINTER as at December 31, 2018 and for period from July 2, 2018 to December 31, 2018:

	VEPC	VINTER
Current assets	₱3,762,412,640	₱868,579,457
Noncurrent assets	79,293,500	–
Current liabilities	2,933,613,619	645,459,830
Equity	₱908,092,521	₱223,119,627
Revenue	₱458,228,533	₱84,647,229
Cost of sales	424,518,328	83,798,925
Administrative expenses	34,656,762	6,526,735
Finance cost	32,237,915	738,433
Income tax benefit	5,751,350	–
Net loss	27,433,122	6,416,864
Share in net loss of associates	4,114,968	962,530

The associate had no contingent liabilities or capital commitments as of December 31, 2018. As at December 31, 2018, the undistributed earnings of the associates in the Group's retained earnings are not available for distribution to the shareholders unless declared by the associates.

12. Investment Properties

	2018	2017
At January 1	**₱275,380,505**	₱275,380,505
Disposal	**(135,895,505)**	–
Fair value adjustment	**21,394,000**	–
At December 31	**₱160,879,000**	₱275,380,505

The Group engaged an independent firm of appraisers to determine the fair values of the following properties in 2018 and 2017:

Location	Highest and Best Use	Area in Square Meters	Appraisal Dates		Appraisal Value	
			2018	2017	2018	2017
Bolinao, Pangasinan	Residential or recreational	403,836	**December 5, 2018**	June 25, 2016	**₱145,381,000**	₱129,228,000
Tanay, Rizal	Agro-industrial development	33,485	**December 12, 2018**	June 24, 2016	**10,046,000**	5,023,000
Gutalac, Zamboanga del Norte	Agricultural	218,095	**December 19, 2018**	August 14, 2016	**5,452,000**	5,234,000
San Fabian, Pangasinan	Residential or recreational	182,981	–	June 25, 2016	–	135,895,505
					₱160,879,000	₱275,380,505

The fair values were estimated through the market approach that considers the sales of similar or substitute assets and related market data and establishes a value estimate by processes involving comparison. Records of recent sales and offerings of similar land are analyzed and comparison made for such factors as size, characteristics of the lot, location, quality and prospective use.

In 2018, the Group sold its investment property located at San Fabian, Pangasinan for a consideration of ₱125.22 million, a portion of which is still outstanding as at December 31, 2018 which is lodged under "Receivables" in the consolidated statement of financial position (see Note 7).

Direct operating expenses related to the investment properties include real property taxes paid in 2018 and 2017 amounting to ₱0.28 million and ₱0.26 million, 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 enhancement.

13. Deferred Exploration Costs

	2018				
	Geothermal SC 8 - Mabini	Other Geothermal SCs	Indonesia Oil Project	SC 53 Onshore Mindoro	Total
At January 1	₱73,160,130	₱23,038,577	₱147,933,884	₱80,426,093	₱324,558,684
Additions	9,482,608	1,848,279	–	–	11,330,887
	82,642,738	24,886,856	147,933,884	80,426,093	335,889,571
Less allowance for impairment loss	–	2,946,624	147,933,884	61,966,544	212,847,052
At December 31	₱82,642,738	₱21,940,232	₱–	₱18,459,549	₱123,042,519

	2017				
	Geothermal SC 8 - Mabini	Other Geothermal SCs	Indonesia Oil Project	SC 53 Onshore Mindoro	Total
At January 1	₱45,961,931	₱20,363,225	₱147,933,884	₱80,426,093	₱294,685,133
Additions	27,198,199	2,675,352	–	–	29,873,551
	73,160,130	23,038,577	147,933,884	80,426,093	324,558,684
Less allowance for impairment loss	–	–	147,933,884	61,966,544	209,900,428
At December 31	₱73,160,130	₱23,038,577	₱–	₱18,459,549	₱114,658,256

The full recovery of the deferred exploration costs amounting to ₱123.04 million and ₱114.66 million as at December 31, 2018 and 2017, respectively, incurred in connection with the Parent Company's participation in the acquisition, exploration and development of geothermal energy and natural gas resources is dependent upon the discovery of steam and natural gas and other renewable resources in commercial quantities from the respective contract areas and the success of future developments thereof.

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

In 2018, the Group recognized allowance for impairment amounting to ₱2.95 million for West Bulusan geothermal service contract. In 2016, the Group recognized in full allowance for impairment amounting to ₱16.22 million, ₱2.56 million and ₱147.93 million for deferred costs pertaining to SC 47, HSCs and Indonesia Oil Project, respectively.

Details of the projects are discussed below.

Oil and Gas Service Contracts (SCs)

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

SC 53 (Onshore Mindoro). Contract Status SC 53 was awarded by the DOE on July 8, 2005, for a ten-year exploration period. It covers 6,600 sq. km. of the onshore areas of Mindoro Island which is within the Northwest Palawan region. Past exploration efforts in the area prior to issuance of SC 53 included the acquisition of 2,000 kilometers of 2D land seismic data and the drilling of four exploration wells. Hydrocarbons zones were reported but were of non-commercial quantity.

Under SC 53 Sub-Phase 1 was carried out by Pitkin Petroleum Ltd. (Pitkin) under a Farm-In Agreement approved by DOE on June 11, 2008. Magnetotelluric (MT) survey was acquired in May 2010 and over 200 kilometers of 2D land seismic data. The exploration works was designed to delineate and assess the hydrocarbon potential of the Progreso-1X in San Jose, Mindoro Occidental and the Sablayan, Mindoro Occidental. 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 commitment involve two (2) wells and a financial commitment of US$2,000,000. The consortium agreed to drill Progreso-2 to fulfill one of the 2 well obligations and the planned geology and geophysical works will be negotiated as fulfilment of the second well. The consortium approved a firm budget of US$8,4000,000 and the contingent budget amounts to US$6,140,000.

On October 24, 2016, the DOE approved the transfer of 70% interest and Operatorship of Pitkin Petroleum to Mindoro Palawan Oil and Gas Inc. under a purchase agreement.

The project was placed under a moratorium since May 29, 2012 with effectivity on March 6, 2012 when DOE approved the consortium's notice to enter Sub-Phase 2 in May 9, 2012. Sub-Phase 2 will start only upon the resolution of the Indigenous People (FAMATODI) case and the issuance of the Certificate of Pre-Condition by the National Commission on Indigenous Peoples (NCIP). The FAMATODI case was dismissed in December 2018. As of December 31, 2018, the NCIP is yet to issue the Certificate of Pre-Condition to the Parent Company.

Deferred exploration costs pertaining to SC 53 amounted to ₱18.46 million as at December 31, 2018 and 2017.

Indonesia Oil Project. In 2013, the Group embarked on the Indonesia Oil Project, as it had passed all the financial criteria for a project as set by the BOD, upon recommendation of Management, and had the potential of generating immediate cash flow in less than a year after drilling. The Group entered into a joint venture arrangement with Petrosolve Sdn Bhd (Petrosolve), a company registered in Malaysia, which was engaged in the business of developing oil fields and held a technology for enhanced chemical oil recovery. The joint venture established Grandway Group Limited in Hong Kong, which is 70% owned by the Parent Company and 30% owned by Petrosolve, as the corporate vehicle of the joint venture for the management and operation of oil wells. The joint venture then established PT Basic Energi Solusi (PT BES) as its operating arm in Indonesia with a 95% ownership interest. In 2017, Grandway became a wholly owned subsidiary of the Parent Company (see Note 17).

PT BES, as a sub-contractor, entered into a cooperation agreement with PT Ekamaro for the management and operation of ten (10) oil wells located in the Dadangilo and Wonocolo areas in East Java, Indonesia. These wells are part of the wells covered by cooperation agreements between PT Ekamaro and KUD Sumber Pangan and KUD Usaha Jaya Bersama, both of which had production agreements with Pertamina, the entity vested by the Indonesian Government with the authority to manage old oil wells in Indonesia.

PT BES drilled five (5) of the aforementioned ten (10) wells. However, production was low at only an estimated total of 20,772 barrels compared to projections at the start of the project of 269,346 barrels, while the buying price of Pertamina steadily dropped, from IDR4,160/liter (or USD73.50/barrel) at the start of the project, to IDR2,718/liter (or USD 34.57/barrel) by the 1st quarter of 2015. Calculated project internal rate of return (IRR), which was at 85.88% at the start of the project, had become negative. During this time, some miners moved for upward adjustments in their revenue sharing, which entailed negotiations with PT Ekamaro, the KUDs, and the miners concerned. Before negotiations could be finalized, Pertamina instituted changes in the framework for the operation of old oil wells and eventually suspended its contracts with the KUDs and designated a new temporary body, the Paguyuban, to handle logistics.

By the middle of 2015, the project was placed on hold until Pertamina is able to finalize the organizational structure of local miners in said areas. These miners are slated to handle the management and operation of oil wells in said areas and with whom PT BES and/or PT Ekamaro shall enter into new co-operation agreements. Since 2015, Pertamina has not yet designated a new organization of local cooperatives or miners groups to supervise the oil operations from old oil wells in the area.

Deferred exploration costs pertaining to the Indonesia Oil Project amounted to ₱147.93 million as at December 31, 2018 and 2017, which was fully provided with allowance for impairment.

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) No. 9513 (Renewable Energy Act of 2008) for the subsequent GSCs.

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 three (3) Phases. In September 2015, DOE confirmed a one (1) year extension for its exploration.

In June 2017, the Parent Company submitted its Contract Year (CY) 10 proposal to DOE. The primary focus and objective of the work program for CY 10 is to resolve the cease and desist order issued by the Local Government Unit (LGU) of Mabini, Batangas to GSC 8 by conducting a comprehensive Information, Education and Communication (IEC) campaign together with DOE representatives.

In December 2017, the Parent Company carried out its IEC campaign on five (5) Barangays that were affected by the series of earthquakes that hit the Municipality of Mabini in April 2017. The IEC was supplemented by Lakbay-Aral in the Makiling-Banahaw Geothermal Fields which provided information to Mabini residents on the benefits of geothermal energy. The IEC campaign was completed on May 5, 2018 and the cease and desist order was lifted on June 7, 2018.

Other GSCs. The Parent Company was also awarded the service contracts from the DOE in February 2013, 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. These projects are undergoing permitting and coordination with the local government units involved and evaluation of data derived from recently conducted Controlled Source Magnetotelluric surveys.

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 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.

In a Farm-in Agreement executed between Desco, Inc. and the Parent Company on January 22, 2016, the Parent Company assigned to Desco, Inc. an 80% participating interest in the Iriga project. The assignment was approved by the DOE in a letter received by the Parent Company on November 8, 2016. Desco, Inc. is now the operator of the Iriga project.

In 2017, Desco, Inc. commissioned 3JTech, a company incorporated in Taiwan, to conduct a Magneto MT Survey in the Iriga Block. The interpretation works identified resistivity anomaly in the area. Desco, Inc. undertook further geophysical reprocessing of the MT for refinement of the possible drilling anomaly. As at December 31, 2018, preparation is underway to drill one (1) exploration well to establish the geothermal resource in the area. Permitting works and other LGU coordination are ongoing for the drilling preparation.

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 undertaken by the Parent Company. The Parent Company had requested the DOE to suspend the financial and other obligations of the Parent Company for this project in view of difficulties encountered in securing the resolutions of support for the project from the local government units involved.

In December 2017, the DOE terminated the West Bulusan Geothermal service contract. Accordingly, the Group recognized impairment of the related deferred exploration costs amounting to ₱2.95 million in 2018. However, the Parent Company has filed a motion for DOE to reconsider its decision to terminate the said contract.

Deferred exploration costs pertaining to GSCs amounted to ₱104.58 million and ₱96.21 million as at December 31, 2018 and 2017, respectively.

14. Property and Equipment

At Cost

	2018				
	Machinery and Equipment	Transportation Equipment	Building and Building Improvements	Office Equipment, Furniture and Fixtures	Total
Cost					
At January 1	₱18,825,539	₱8,016,840	₱5,283,338	₱10,001,113	₱42,126,830
Additions	–	–	62,098	117,000	179,098
At December 31	18,825,539	8,016,840	5,345,436	10,118,113	42,305,928
Accumulated Depreciation					
At January 1	2,196,313	5,586,767	4,222,298	9,642,007	21,647,385
Depreciation (see Note 20)	1,882,553	595,120	220,855	229,951	2,928,479
At December 31	4,078,866	6,181,887	4,443,153	9,871,958	24,575,864
Net Book Values	₱14,746,673	₱1,834,953	₱902,283	₱246,155	₱17,730,064

	2017				
	Machinery and Equipment	Transportation Equipment	Building and Building Improvements	Office Equipment, Furniture and Fixtures	Total
Cost					
At January 1	₱18,825,539	₱5,041,240	₱5,283,338	₱9,727,068	₱38,877,185
Additions	–	2,975,600	–	274,045	3,249,645
At December 31	18,825,539	8,016,840	5,283,338	10,001,113	42,126,830
Accumulated Depreciation					
At January 1	313,759	4,882,578	4,011,793	9,308,787	18,516,917
Depreciation (see Note 20)	1,882,554	704,189	210,505	333,220	3,130,468
At December 31	2,196,313	5,586,767	4,222,298	9,642,007	21,647,385
Net Book Values	₱16,629,226	₱2,430,073	₱1,061,040	₱359,106	₱20,479,445

At Revalued Amount

	Office Condominium	
	2018	2017
Revalued Amount		
At January 1 and December 31	**₱28,649,000**	₱28,649,000
Accumulated Depreciation		
At January 1	**3,055,473**	763,973
Depreciation (see Note 20)	**2,291,200**	2,291,500
At December 31	**5,346,673**	3,055,473
Net Book Value	**₱23,302,327**	₱25,593,527

Revaluation of Office Condominium. The Group engaged an independent firm of appraisers, to determine the fair value of its office condominium as at August 25, 2016. The fair value is determined using the generally accepted market approach. The date of the appraisal was September 5, 2016.

Revaluation increment in office condominium as at December 31, 2018 and 2017 amounted to ₱15.75 million and ₱17.30 million, 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, 2018 and 2017 would be as follows:

	2018	2017
Cost	₱1,730,010	₱1,730,010
Accumulated depreciation	(1,268,674)	(1,153,340)
	₱461,336	₱576,670

The cost of the Group's fully depreciated assets still in use amounted to ₱13.96 million and ₱12.66 million as at December 31, 2018 and 2017, respectively.

15. Accounts Payable and Accrued Expenses

	2018	2017
Accounts payable	₱6,675,075	₱4,758,483
Accrued expenses	1,944,996	1,719,565
Withholding tax payables	305,598	423,108
Government payables	68,495	78,804
	₱8,994,164	₱6,979,960

The Group's payables consists of short-term and noninterest-bearing trade payables to the Group's local suppliers with an average credit term of 30 days.

Withholding tax payable consists of withholding tax on compensation and expanded withholding tax. Government payables are liabilities to various government agencies generally payable within 30 days. Others are payables for professional fees and condominium dues.

16. Loan Payable

On November 29, 2017, the Parent Company obtained an unsecured short-term loan amounting to ₱50.00 million from a local bank which was renewed for another three (3) months on October 31, 2018. The loan bears an annual fixed interest rate ranging from 5.875% to 8.25% and 5.25% in 2018 and 2017, respectively. Interest expense on this bank loan amounted to ₱3.42 million and ₱0.44 million in 2018 and 2017, respectively.

17. Equity

Capital Stock

The details of the capital stock are as follows:

	2018		2017	
	No. of Shares	Amount	No. of Shares	Amount
Authorized - ₱0.25 par value	10,000,000,000	₱2,500,000,000	10,000,000,000	₱2,500,000,000
Unissued	(7,986,580,343)	(1,996,645,086)	(8,093,472,343)	(2,023,368,086)
Issued	2,013,419,657	503,354,914	1,906,527,657	476,631,914
Subscribed	2,646,848,057	661,712,014	2,646,848,057	661,712,014
Subscription receivable	(1,844,875,000)	(461,218,750)	(1,844,875,000)	(461,218,750)
	801,973,057	200,493,264	801,973,057	200,493,264
Issued and outstanding	2,815,392,714	₱703,848,178	2,708,500,714	₱677,125,178

In 2018, the Parent Company issued 106,892,000 shares at par value of ₱0.25 to META for a total consideration of ₱26.72 million. Share issue costs incurred related to the issuance amounting to ₱0.27 million was charged against "Additional paid-in capital".

In 2017, the Parent Company issued 148,382,202 common shares at ₱0.25 par value to META for a total consideration of ₱40.15 million. As a result, VTE applied the deposit for future stock subscription it paid in 2016 amounting to ₱13.94 million and remitted additional cash amounting to ₱26.21 million. Share issue costs incurred related to the issuance amounting to ₱0.13 million was charged against "Additional paid-in capital".

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 617.50 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 1.50 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 million fully paid-up shares and with respect to 1.0 billion 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 (1.60 billion shares), at the ratio of 2 shares of stock for every three (3) shares of stock registered in the stockholders' name.

   On October 23, 1974, the SEC authorized the listing of the additional 2.50 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.

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 2.0 billion shares to ₱2.50 billion consisting of 10.0 billion shares. Pursuant to this increase, 537.5 million shares to the subscribers to the capital increase were issued 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 million 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 PSE approved the listing of the remaining 473 million shares.

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

The basic terms and conditions of the SOP are as follows:

- The SOP covers up to 500 million 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 500.0 million 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 PSE on January 21, 2013 which was classified as deposit for future stock subscription as at December 31, 2012. On July 24, 2013, the PSE approved for listing the remaining 473.0 million shares. As of December 31, 2018 and 2017, 117.63 million SOP shares were listed with the PSE.

Deposit for Future Stock Subscription
On October 5, 2016, a Memorandum of Agreement (MOA) was executed between the Parent Company and META. Under the MOA, META will subscribe to 435.66 million shares of the Parent Company. Earnest money in the amount of ₱13.94 million was received by the Parent Company through actual remittance on October 19, 2016.

A subscription agreement was executed by the parties on February 24, 2017, which states that the Parent Company agrees to issue to META and META agrees to subscribe to and purchase from the Parent Company, 43.57 million common shares of the Parent Company at a value of ₱0.32 per share or a total subscription price of ₱13.94 million. On March 24, 2017, 43.57 million common shares were issued to META.

Treasury Stock

The treasury stock represents 18.0 million shares of the Parent Company costing ₱3.24 million which are held by BGEC as at December 31, 2018 and 2017.

Non-controlling Interests

In 2013, the Parent Company entered into an agreement with Petrosolve SDN BHD (Petrosolve), a Malaysian corporation engaged in the business of oil fields services, to incorporate Grandway, in which the Parent Company has 70% equity interest. The Parent Company, through Grandway, incorporated PT BES to carry out its oil well business in Indonesia.

On May 10, 2017, the Parent Company entered into a share purchase agreement with Petrosolve, whereby Petrosolve transferred and ceded to the Parent Company its entire shareholdings in Grandway for a consideration of HK$3,000, thereby giving the Parent Company 100% of the shares of Grandway and 95% of the shares of PT BES. As a result, the Parent Company recognized equity reserve on the acquired non-controlling interest amounting to ₱53.95 million.

The Group owns 95% equity interest in PT BES in 2018 and 2017, and owns 72.58% equity interest in SRI in 2018 and 2017.

The summarized financial information of SRI and PT BES are provided below. This information is based on amounts before intercompany eliminations.

2018	**SRI**	**PT BES**
Non-controlling interests	**27.42%**	**5.00%**
Financial Position		
Total current assets	**₱6,067**	**₱655,673**
Total current liabilities	**472,438**	**185,321,520**
Total capital deficiency	**₱467,371**	**₱184,665,847**
Non-controlling interests	**₱128,153**	**₱9,233,293**
Financial Performance		
General and administrative expenses	**₱63,377**	**₱980,848**
Other charges	**–**	**11,684,784**
Net loss	**₱63,377**	**₱12,665,632**
Net loss attributable to non-controlling interests	**₱17,378**	**₱633,282**

2017	SRI	PT BES
Non-controlling interests	27.42%	5.00%
Financial Position		
Total current assets	₱6,067	₱627,015
Total current liabilities	410,061	172,627,230
Total capital deficiency	₱403,994	₱172,000,215
Non-controlling interests	₱110,775	₱8,600,011

2017	SRI	PT BES
Financial Performance		
General and administrative expenses	₱56,593	₱1,076,777
Other charges	–	1,414,771
Net loss	₱56,593	₱2,491,548
Net loss attributable to non-controlling interests	₱15,518	₱124,577

18. Interest Income

The source of the Group's interest income for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017	2016
Interest income on:			
Financial assets at FVOCI / AFS financial assets - debt securities (Note 10)	**₱1,552,472**	₱2,197,123	₱3,008,473
Cash and cash equivalents (Note 6)	**518,671**	1,094,941	1,624,783
	₱2,071,143	₱3,292,064	₱4,633,256

19. 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.

Advances from Stockholder
In 2017, in relation to the MOA executed between the Parent Company and META, the Parent Company has excess cash received from VTE amounting to ₱6.67 million which will be reimbursed by the Parent Company to META or will be applied to future subscription of META subject to the terms and conditions provided in the MOA. In 2018, the Group and META agreed that the excess cash would form part as consideration of the shares issued in 2017 (see Note 17). Accordingly, the advances from stockholder was closed to "Additional paid-in capital".

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 (the Fund) as at December 31, 2018 and 2017 amounted to ₱22.07 million and ₱26.23 million, respectively (see Note 21).

c. The assets and investments of the retirement benefit fund as at December 31, 2018 and 2017 are as follows:

	2018	2017
Investments in bonds	**₱13,440,684**	₱12,934,896
Investment in unit investment trust fund	**7,108,781**	7,817,037
Investment in stocks	**1,150,680**	1,235,450
Special savings deposits	**277,121**	4,153,154
Accrued payables	**(19,278)**	(21,992)
Others	**116,793**	115,940
	₱22,074,781	₱26,234,485

d. In 2018 and 2017, the Parent Company contributed nil and ₱7.00 million, respectively, to the retirement benefit fund (see Note 21).

Compensation of Key Management Personnel

a. Shares of stock of the Parent Company held by members of the BOD aggregated to 125,807,247 as at December 31, 2018 and 2017.

b. Compensation of key management personnel consists of short-term employee benefits and post-employment benefits. Short-term employee benefits amounted to ₱11.96 million, ₱12.21 million and ₱11.40 million in 2018, 2017 and 2016, respectively, while, post-employment benefits amounted to ₱3.58 million, ₱4.95 million and ₱4.73 million in 2018, 2017 and 2016, respectively.

Directors' remuneration consists only of per diems for attendance at the BOD and Committee meetings. In 2018, 2017 and 2016, total per diems received by the members of the BOD amounted to ₱2.15 million, ₱2.36 million and ₱1.80 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 SOP for directors and officers covering 500.0 million shares 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. As of December 31, 2016, the entire 500.0 million shares were subscribed of which 117.6 million shares have been paid.

Transactions with Associates

In 2018, the Parent Company entered in a Management Service Agreement (MSA) with VEPC and VINTER where the Parent Company would render managerial and administrative services to VEPC and VINTER. The Parent Company recognized income from this MSA amounting to ₱2.97 million in 2018. The related receivable amounting to ₱2.97 million as at December 31, 2018 is presented as part of "Accounts receivable" under "Receivables" account in the 2018 consolidated statement of financial position.

20. General and Administrative Expenses

	2018	2017	2016
Personnel:			
Salaries and wages	₱19,594,444	₱19,559,371	₱18,368,157
Retirement expense (see Note 21)	4,220,882	6,452,891	6,022,191
Other employee benefits	4,003,993	5,652,864	5,013,012
Taxes and licenses	6,681,708	1,132,767	1,204,403
Depreciation and amortization (see Note 14)	5,242,050	5,421,968	3,586,931
Transportation and travel	4,515,025	5,336,868	5,243,019
Representation and entertainment	3,954,140	4,621,892	4,497,613
Professional fees	2,162,561	1,604,128	1,969,836
Communication	1,049,180	1,063,243	1,091,396
Utilities	963,668	915,944	925,155
Annual stockholders meeting	532,958	650,719	599,210
Office supplies	369,489	524,234	541,204
Trainings and seminars	246,155	257,376	60,092
Association and membership dues	205,823	187,807	218,850
Repairs and maintenance	65,980	195,105	181,624
Others	2,615,439	2,078,754	2,432,304
	₱56,423,495	₱55,655,931	₱51,954,997

21. Retirement Benefits

The Group maintains a funded, noncontributory defined retirement benefit plan covering all qualified employees.

The Fund is administered by a trustee bank under the supervision of the Board of Trustees (BOT) of the plan. The BOT 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 BOT delegates the implementation of the investment.

RA No. 7641 ("Retirement Pay Law") an Act amending article 287 of Presidential Decree (PD) 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 expense recognized in the consolidated statements of income, the remeasurement effects recognized in the consolidated statements of comprehensive income and the amounts recognized in the consolidated statements of financial position.

The components of the retirement expense recognized in the consolidated statements of income are as follows:

	2018	2017
Current service cost	₱4,274,982	₱5,875,145
Net interest cost (income)	(54,100)	577,746
	₱4,220,882	₱6,452,891

Remeasurement gain (loss) recognized in other comprehensive income follow:

	2018	2017
Actuarial gain on defined benefit obligation	₱1,950,932	₱9,604,142
Return on assets excluding amount included in net interest cost	(2,538,266)	201,506
	(₱587,334)	₱9,805,648

Accrued retirement benefits recognized in the consolidated statements of financial position as at December 31, 2018 and 2017 are as follows:

	2018	2017
Present value of defined benefit obligation	₱29,942,127	₱29,293,975
Fair value of plan assets (see Note 19)	(22,074,781)	(26,234,845)
	₱7,867,346	₱3,059,130

Changes in the present value of the defined benefit obligation follow:

	2018	2017
At January 1	₱29,293,975	₱32,381,310
Current service cost	4,274,982	5,875,145
Interest cost on defined benefit obligation	1,289,098	1,505,910
Benefits paid	(2,964,996)	(864,248)
Actuarial loss (gains) due to:		
Changes in financial assumptions	(1,940,688)	(4,737,084)
Changes in demographic assumptions	3,194	(661,245)
Experience adjustments	(13,438)	(4,205,813)
At December 31	₱29,942,127	₱29,293,975

Changes in the fair value of plan assets follow:

	2018	2017
At January 1	₱26,234,845	₱18,969,423
Interest income included in net interest cost/income	1,343,198	928,164
Return on assets excluding amount included in net interest cost/income	(2,538,266)	201,506
Contribution	–	7,000,000
Benefits paid	(2,964,996)	(864,248)
At December 31	₱22,074,781	₱26,234,845

Changes in the accrued retirement benefits recognized in the consolidated statements of financial position as at December 31 are as follows:

	2018	2017
At January 1	₱3,059,130	₱13,411,887
Retirement expense	4,220,882	6,452,891
Actuarial loss (gain) recognized for the year	587,334	(9,805,648)
Contribution	–	(7,000,000)
At December 31	₱7,867,346	₱3,059,130

The major categories and fair values of the Group's plan assets are disclosed in Note 19.

The principal assumptions used in determining the pension liability for the Group's pension plan as at December 31 are as follows:

	2018	2017
Discount rate	7.27%	5.75%
Future salary increase rate	6.00%	6.00%

The Group expects to contribute ₱5.25 million to the Fund in 2019.

The sensitivity analysis below has been determined based on reasonable 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:

		Increase (decrease) in the present value of defined benefit obligation	
	Increase (decrease)	2018	2017
Discount rate	+100 basis points	(₱1,099,192)	(₱1,556,619)
	−100 basis points	1,238,424	1,792,326
Future salary increase rate	+100 basis points	1,427,803	1,942,996
	−100 basis points	(1,296,867)	(1,718,905)

The Group does not expect any changes on the other assumptions aside from the above.

The weighted average duration of the benefit payments as at December 31, 2018 and 2017 is approximately 12.00 years and 16.02 years, respectively.

The average expected future service years at the end of the reporting date is seven (7) years. Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2018:

	2018	2017
One year or less	₱15,658,245	₱13,749,760
More than one year to five years	8,962,093	7,613,679
More than five years to 10 years	12,174,226	10,670,297
More than 10 years to 15 years	25,327,576	33,741,430
More than 15 years to 20 years	9,682,540	17,087,248
More than 20 years to 10 years	22,079,073	41,310,442
Total expected benefit payments	₱93,883,753	₱124,172,856

22. Income Taxes

Current income tax in 2018, 2017 and 2016 pertains to MCIT. Provision for income tax consists of:

	2018	2017	2016
Current:			
Final tax	**₱409,192**	₱648,738	₱922,634
Income tax	**216,908**	11,800	7,424
	626,100	660,538	930,058
Deferred	**3,083,254**	8,850,560	2,711,401
	₱3,709,354	₱9,511,098	₱3,641,459

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

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

	2018	2017	2016
Income tax at 30% statutory rate	**(₱6,618,878)**	(₱14,619,982)	(₱36,245,656)
Adjustments to income tax resulting from:			
Nontaxable income	**(13,673,801)**	(1,087,786)	(23,032,898)
Movement in unrecognized deferred income tax assets	**13,191,470**	12,380,698	63,370,547
Nondeductible expenses	**7,712,435**	3,584,724	16,809
Derecognition of deferred tax assets	**2,399,858**	–	–
Expired NOLCO and MCIT	**910,421**	10,486,949	–
Interest income already subjected to final tax	**(621,343)**	(1,491,696)	(1,389,977)
Final taxes paid and others	**409,192**	258,191	922,634
Provision for income tax	**₱3,709,354**	₱9,511,098	₱3,641,459

The components of net deferred income tax liabilities recognized by the Group as at December 31, 2018 and 2017 are as follows:

	2018	2017
Deferred taxes recognized in the consolidated statements of income:		
Deferred income tax assets on:		
Accrued retirement benefits	**₱–**	₱1,844,790
MCIT	–	917,845
Unamortized past service cost	–	624,452
	–	3,387,087
Deferred income tax liabilities on:		
Revaluation increment on office condominium	**6,749,084**	7,412,928
Unrealized foreign exchange gains	**7,506,416**	7,146,405
	14,255,500	14,559,333
Deferred income tax liability related to accrued retirement benefits recognized as OCI	**750,850**	927,050
	₱15,006,350	₱12,099,296

As at December 31, 2018, the Group has NOLCO and MCIT that can be utilized as deduction from future taxable income and income tax due, respectively, as follows:

Year Incurred	Expiry Year	As at December 31, 2017	Additions	Expired	As at December 31, 2018
NOLCO					
2015	2018	₱485,845	₱–	₱485,845	₱–
2016	2019	44,521,585	–	–	44,521,585
2017	2020	41,229,661	–	–	41,229,661
2018	2021	–	36,647,226	–	36,647,226
		₱86,237,091	₱36,647,226	₱485,845	₱122,398,472
MCIT					
2015	2018	₱910,421	₱–	₱910,421	₱–
2016	2019	7,424	–	–	7,424
2017	2020	11,800	–	–	11,800
2018	2021	–	216,908	–	216,908
		₱929,645	₱216,908	₱910,421	₱236,132

As at December 31, 2018 and 2017, the Group has deductible temporary differences and carryforward benefits 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:

	2018	2017
NOLCO	₱122,398,472	₱86,237,091
Allowance for impairment on:		
Deferred exploration costs	212,847,052	209,900,428
Financial assets at FVOCI / AFS financial assets	3,550,935	3,550,935
Receivables	2,142,006	2,732,947
Retirement benefits	10,370,182	–
Unamortized past service cost	1,850,228	–
MCIT	236,132	11,800

23. Loss per Share

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

	2018	2017	2016
Net loss attributable to shareholders of the Parent Company (a)	₱25,121,622	₱58,104,275	₱75,648,092
Weighted average number of outstanding common shares (b)	2,740,079,047	2,592,792,915	2,560,118,512
Basic and diluted loss per share (a/b)	₱0.009	₱0.022	₱0.030

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. There are no potential dilutive shares as of December 31, 2018, 2017 and 2016.

24. 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 at December 31, 2018 and 2017, the Group has two main business segments - investment holding and renewable energy and natural 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:

	2018			
	Investment Holding	Renewable Energy and Natural Gas Exploration	Eliminations	Consolidated
Financial Performance				
Income (Loss) before interest and taxes	₱18,888,398	(₱39,606,671)	₱–	(₱20,718,273)
Interest income	–	2,071,143	–	2,071,143
Interest expense	–	(3,415,799)	–	(3,415,799)
Provision for income tax	–	(3,709,354)	–	(3,709,354)
Net income (loss)	₱18,888,398	(₱44,660,681)	₱–	(₱25,772,283)
Financial Position				
Segment assets	₱202,482,107	₱885,211,373	(₱460,234,384)	₱627,459,096
Investment properties	139,187,942	21,691,058	–	160,879,000
Total assets	₱341,670,049	₱906,902,431	(₱460,234,384)	₱788,338,096
Total liabilities	₱230,345,452	₱267,991,780	(₱415,363,750)	₱82,973,482
Other Segment Information				
Additions to:				
Deferred exploration costs	₱–	₱11,330,887	₱–	₱11,330,887
Property and equipment	–	179,098	–	179,098
Depreciation and amortization	–	5,242,050	–	5,242,050

	2017			
	Investment Holding	Renewable Energy and Natural Gas Exploration	Eliminations	Consolidated
Financial Performance				
Loss before interest and taxes	(₱570,024)	(₱51,010,520)	₱–	(₱51,580,544)
Interest income	–	3,292,064	–	3,292,064
Interest expense	–	(444,792)	–	(444,792)
Provision for income tax	–	(9,511,098)	–	(9,511,098)
Net loss	(₱570,024)	(₱57,674,346)	₱–	(₱58,244,370)

	2017			
	Investment Holding	Renewable Energy and Natural Gas Exploration	Eliminations	Consolidated
Financial Position				
Segment assets	₱191,291,512	₱740,792,432	(₱455,211,806)	₱476,872,138
Investment properties	119,819,824	155,560,681	–	275,380,505
Total assets	₱311,111,336	₱896,353,113	(₱455,211,806)	₱752,252,643
Total liabilities	₱218,616,154	₱272,104,964	(₱411,011,436)	₱79,709,682
Other Segment Information				
Additions to:				
Deferred exploration costs	₱–	₱29,873,551	₱–	₱29,873,551
Property and equipment	–	3,249,645	–	3,249,645
Depreciation and amortization	–	5,421,968	–	5,421,968

	2016			
	Investment Holding	Renewable Energy and Natural Gas Exploration	Eliminations	Consolidated
Financial Performance				
Earnings (loss) before interest and taxes	₱42,847,512	(₱168,299,621)	₱–	(₱125,452,109)
Interest income	–	4,633,256	–	4,633,256
Provision for income tax	–	(3,641,459)	–	(3,641,459)
Net income (loss)	₱42,847,512	(₱167,307,824)	₱–	(₱124,460,312)
Financial Position				
Segment assets	₱189,419,271	₱694,574,572	(₱438,332,416)	₱445,661,427
Investment properties	119,819,824	155,560,681	–	275,380,505
Total assets	₱309,239,095	₱850,135,253	(₱438,332,416)	₱721,041,932
Total liabilities	₱216,275,464	₱194,187,478	(₱388,631,654)	₱21,831,288
Other Segment Information				
Additions to:				
Deferred exploration costs	₱–	₱29,933,862	₱–	₱29,933,862
Property and equipment	–	180,029	–	180,029
Depreciation and amortization	–	3,586,931	–	3,586,931

25. Changes in Liabilities Arising from Financing Activities

	2018			
	At January 1	**Cash flows**	**Application to APIC**	**At December 31**
Dividends payable	**₱888,714**	**₱–**	**₱–**	**₱888,714**
Loan payable (see Note 17)	**50,000,000**	**–**	**–**	**50,000,000**
Advances from stockholder (see Note 19)	**6,670,782**	**–**	**(6,670,782)**	**–**
Interest payable	**–**	**(3,415,799)**	**–**	**–**
Net income (loss)	**₱57,559,496**	**(₱3,415,799)**	**(₱6,670,782)**	**₱50,888,714**

	2017		
	At January 1	Cash flows	At December 31
Dividends payable	₱888,714	₱–	₱888,714
Loan payable (see Note 17)	–	50,000,000	50,000,000
Advances from stockholder (see Note 19)	–	6,670,782	6,670,782
Interest payable	–	(444,792)	–
Net income (loss)	₱888,714	₱56,225,990	₱57,559,496

26. Fair Value Measurements

Fair Value
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are obtained from quoted market prices.

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

Cash and Cash Equivalents, Receivables, Refundable Deposits, Accounts Payable and Accrued Expenses, Loan Payable, Advances from Stockholder and Dividends Payable. Due to the short-term nature of these accounts, their carrying values were assessed to approximate their fair values.

Financial Assets at FVOCI / AFS Financial Assets. Financial assets at FVOCI / 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.

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

Fair Value Hierarchy
The following table presents the level of hierarchy of the Group's financial assets at FVOCI debt and equity instruments, investment properties and office condominium as at December 31, 2018 and 2017:

	2018				
	Fair Value Measurement Using				
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets at FVOCI:					
Quoted debt securities	December 31, 2018	₱37,624,594	₱37,624,594	₱–	₱–
Quoted equity securities	December 31, 2018	6,711,923	6,711,923	–	–
Investment properties	Various dates in 2018	160,879,000	–	–	160,879,000
Office condominium	August 25, 2016	23,302,327	–	23,302,327	–

	2017				
	Fair Value Measurement Using				
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
AFS Financial assets:					
Quoted debt securities	December 31, 2017	₱39,839,205	₱39,839,205	₱–	₱–
Quoted equity securities	December 31, 2017	6,211,923	6,211,923	–	–
Investment properties	June 25, 2016	275,380,505	–	–	275,380,505
Office condominium	August 25, 2016	25,593,527	–	25,593,527	–

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

During the reporting years ended December 31, 2018 and 2017, 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.

There are no financial liabilities measured at fair value as at December 31, 2018 and 2017.

Valuation Techniques Used to Derive Level 3 Fair Values

The table below presents the following for each class of the Group's investment properties and office condominium:

- The fair value measurements at the end of the reporting period;
- The level of the fair value hierarchy (e.g., Level 2 or Level 3) within which the fair value measurements are categorized in their entirety;
- A description of the valuation techniques applied;
- The inputs used in the fair value measurement; and
- For Level 3 fair value measurements, quantitative information about the significant unobservable inputs used in the fair value measurement.

	2018			
Class of Property	**Fair Value as at December 31, 2018**	**Valuation Technique**	**Key Unobservable Inputs**	**Range (Weighted Average)**
Land	**₱160,879,000**	**Market Approach**	**Price per square meter**	**₱20–₱2,000**
			External factor (adjustment to the price per square meter)	**-5% to -40%**
			Location	**-15% to 5%**
			Size	**-20 to 5%**
Office condominium	**23,302,327**	**Market Approach**	**Price per square meter**	**₱70,000–₱114,000**
			Remaining economic life	**14–40 years**

	2017			
Class of Property	Fair Value as at December 31, 2017	Valuation Technique	Key Unobservable Inputs	Range (Weighted Average)
Land	₱275,380,505	Market Approach	Price per square meter	₱20–₱1,700
			External factor (adjustment to the price per square meter)	-5% to -10%
			Location	10% to 20%
			Size	-5%
Office condominium	25,593,527	Market Approach	Price per square meter	₱70,000–₱114,000
			Remaining economic life	14–40 years

Sensitivity Analysis to Significant Changes in Unobservable Inputs within Level 3 of the Hierarchy

Investment Properties. Significant increases (decreases) in price per square meter in isolation would result in a significantly higher (lower) fair value measurement.

27. Financial Risk Management Objectives and Policies

The Group's financial instruments consist of cash and cash equivalents, receivables, refundable deposits, financial assets at FVOCI, accounts payables and accrued expenses, loan payable, advances from stockholder and dividends payable. Cash and cash equivalents, refundable deposits, financial assets at FVOCI, loan payable and advances from stockholder are used for investment purposes, while receivables, accounts payable and accrued expenses, and dividends payable arise from operations. The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk and liquidity risk. The Group has no significant exposure to interest rate risk as at December 31, 2018 and 2017. 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 Currency Risk
Foreign currency 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 and cash equivalents, refundable deposits and financial assets at FVOCI 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$, Indonesian Rupiah (IDR) and Japanese Yen (JP¥) financial assets.

The Group's significant foreign-currency-denominated financial assets as at December 31, 2018 and 2017 are as follows:

	2018		2017	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Loans and Receivables				
Cash and cash equivalents:				
US$	**US$694,876**	**₱36,536,580**	US$358,145	₱17,882,180
IDR	**IDR47,160,602**	**169,778**	IDR36,677,892	135,518
Refundable deposits:				
US$	**US$–**	**–**	US$2,621,871	133,284,475
JP¥	**JP¥34,063,800**	**16,183,711**	JP¥84,063,800	38,144,633
Financial Assets at FVOCI and AFS Financial Assets				
Quoted equity investments - US$	**US$3,200**	**168,256**	US$3,200	159,776
		₱53,058,325		₱189,606,582

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

	2018	2017
US$	**₱52.58 to US$1**	₱49.93 to US$1
IDR	**₱0.0036 to IDR1**	₱0.0037 to IDR1
JP¥	**₱0.4751 to JP¥1**	₱0.4538 to JP¥1

The following table summarizes the impact on the consolidated financial statements of reasonable possible changes in the exchange rates of foreign currencies against the Philippine Peso as at December 31, 2018 and 2017 until the Group's next financial reporting date:

	Change in US$ rate	Increase (decrease) in income before income tax	Change in JP¥ rate	Increase (decrease) in income before income tax	Change in IDR rate	Increase (decrease) in income before income tax
2018	**+1.12%**	**₱411,094**	**+1.76%**	**₱284,833**	**+1.75%**	**₱2,971**
	-1.32%	**(484,504)**	**-1.34%**	**(216,862)**	**-1.60%**	**(2,716)**
2017	+1.28%	₱1,936,978	+2.75%	₱1,048,977	+1.57%	₱2,128
	-2.55%	(3,858,824)	-3.04%	(1,159,597)	-1.72%	(2,331)

There is no other effect on the Group's equity other than those already affecting the consolidated loss 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 financial assets at FVOCI. 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 reasonable possible changes in market prices of financial assets at FVOCI as of December 31, 2018 and 2017 until the Group's next financial reporting date:

	Change in Quoted Prices of Investments Carried at Fair Value	Increase (Decrease) in Equity
2018	**+ 4.00%**	**₱1,773,461**
	- 4.00%	**(1,773,461)**
2017	+ 4.45%	₱2,049,935
	- 4.45%	(2,049,935)

The effect on the Group's equity in relation to equity price risk already excludes the effect of the transactions affecting profit or loss.

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, 2018 and 2017. Therefore, the Group's maximum exposure to credit risk is equal to the carrying amount of its financial assets as at December 31, 2018 and 2017.

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 as collectible or 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:

	2018		
	Neither Past Due nor Impaired	**Past Due and Impaired**	**Total**
Loans and Receivables			
Cash and cash equivalents*	**₱42,090,286**	**₱–**	**₱42,090,286**
Receivables:			
Accounts receivable	**127,121,226**	**2,142,006**	**129,263,232**
Interest receivable	**200,262**	**–**	**200,262**
Advances to officers and employees	**51,369**	**–**	**51,369**
Refundable deposits	**16,183,711**	**–**	**16,183,711**
	185,646,854	**2,142,006**	**187,788,860**
Financial Assets at FVOCI			
Quoted debt securities	**37,624,594**	**–**	**37,624,594**
Quoted equity investments	**6,711,923**	**3,550,935**	**10,262,858**
	44,336,517	**3,550,935**	**47,887,452**
	₱229,983,371	**₱5,692,941**	**₱235,676,312**

**Excluding cash on hand.*

	2017		
	Neither Past Due nor Impaired (High Grade)	Past Due and Impaired	Total
Loans and Receivables			
Cash and cash equivalents*	₱75,027,407	₱–	₱75,027,407
Receivables:			
Accounts receivable	1,980,784	2,732,947	4,713,731
Interest receivable	356,573	–	356,573
Advances to officers and Employees	349,665	–	349,665
Refundable deposits	171,429,108	–	171,429,108
	249,143,537	2,732,947	251,876,484
AFS Financial Assets			
Quoted debt securities	39,839,205	–	39,839,205
Quoted equity investments	6,211,923	3,550,935	9,762,858
	46,051,128	3,550,935	49,602,063
	₱295,194,665	₱6,283,882	₱301,478,547

**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 transacted with reputable local and multi-national banks and receivables with some history of default on the agreed terms of the contract. Financial assets at FVOCI are considered "high grade" since these are invested in blue chip shares of stock. The past due and impaired receivables amounted to ₱2.73 million as of December 31, 2017.

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.

Applicable for the Year Ended December 31, 2018

The Group has the following financial assets that are subject to the ECL model:

General Approach

- *Cash and Cash Equivalents.* As of December 31, 2018, the ECL relating to the cash and cash equivalents of the Group is minimal as these are deposited in reputable entities which have good bank standing and is considered to have lower credit risk.

- *Financial Assets at FVOCI.* Consisting of quoted debt and equity securities, probability of default is expected to be lower as these are blue chip shares of stock.

- *Refundable Deposit.* Refundable deposit is deposited with a third party which have good credit standing and are considered to have lower credit risk, hence, probability of default is expected to be less likely.

Simplified Approach

- *Receivables*. The Group applied the simplified approach under PFRS 9, using a 'provision matrix', in measuring ECL which uses a lifetime expected loss allowance for receivables. The expected loss rates are based on the payment profiles of revenues/sales over a period of at least 24 months before the relevant reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers/counterparties to settle the receivables. The Group has identified the Gross Domestic Product and inflation rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

  As of December 31, 2018, the allowance for impairment losses pertain only to individually impaired accounts amounting to ₱2.14 million.

The table below shows the financial assets per stage of allocation and by credit risk rating grades as at December 31, 2018:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
High grade	₱102,610,514	₱251,631	₱–	₱102,862,145
Standard grade	–	127,121,226	–	127,121,226
Default	–	–	2,142,006	2,142,006
Gross carrying amount	102,610,514	127,372,857	2,142,006	232,125,377
Loss allowance	–	–	(2,142,006)	(2,142,006)
Carrying amount	₱102,610,514	₱127,372,857	₱–	₱229,983,371

Liquidity Risk

Liquidity risk is defined as the risk that the Group would 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 Group intends to use internally generated funds. The BOD closely monitors the Group'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:

	2018				
	On demand	Less than 3 months	More than 3 months up to one year	More than one year	Total
Financial Assets					
Cash and cash equivalents	₱42,093,952	₱–	₱–	₱–	₱42,093,952
Receivables:					
Accounts receivable	127,121,226	–	–	–	127,121,226
Interest receivable	–	200,262	–	–	200,262
Advances to officers and employees	51,369	–	–	–	51,369
Refundable deposits	16,183,711	–	–	–	16,183,711
Financial assets at FVOCI	44,336,517	–	–	–	44,336,517
	229,786,775	200,262	–	–	229,987,037
Financial Liabilities					
Accounts payable and accrued expenses*	–	8,329,299	–	–	8,329,299
Loan payable	–	50,343,750	–	–	50,343,750
Dividends payable	888,714	–	–	–	888,714
	888,714	58,673,049	–	–	59,561,763
Net Financial Assets (Liabilities)	₱228,898,061	(₱58,472,787)	₱–	₱–	₱170,425,274

** Excluding statutory liabilities.*

	2017				
	On demand	Less than 3 months	More than 3 months up to one year	More than one year	Total
Financial Assets					
Cash and cash equivalents	₱75,029,384	₱–	₱–	₱–	₱75,029,384
Receivables:					
Accounts receivable	1,980,784	–	–	–	1,980,784
Interest receivable	–	356,573	–	–	356,573
Advances to officers and employees	349,664	–	–	–	349,664
Refundable deposits	171,429,108	–	–	–	171,429,108
AFS financial assets	46,051,128	–	–	–	46,051,128
	294,840,068	356,573	–	–	295,196,641
Financial Liabilities					
Accounts payable and accrued expenses*	–	6,478,048	–	–	6,478,048
Loan payable	–	50,218,750	–	–	50,218,750
Advances from stockholder	6,670,782	–	–	–	6,670,782
Dividends payable	888,714	–	–	–	888,714
	7,559,496	56,696,798	–	–	64,256,294
Net Financial Assets (Liabilities)	₱287,280,572	(₱56,340,225)	₱–	₱–	₱230,940,347

** Excluding statutory liabilities*

28. 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, 2018 and 2017.

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.

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

	2018	2017
Capital stock	**₱703,848,178**	₱677,125,178
Additional paid-in capital	**42,021,502**	35,617,951
Retained earnings (deficit)	**(15,810,751)**	7,761,901
	₱730,058,929	₱720,505,030

As at December 31, 2018 and 2017, the Group is not subject to any externally imposed capital requirements.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
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 (the Group) as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, included in this Form 17-A, and have issued our report thereon dated March 28, 2019. 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 Group'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.

Leovina Mae V. Chu

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1712-A (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 7332629, January 3, 2019, Makati City

March 28, 2019

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 (2011)
DECEMBER 31, 2018

Schedule A. Financial Assets

Financial assets at FVOCI

Description	Beginning balances	Disposals at cost	Additions at cost	Increase (decrease) in fair value, net	Ending balances
Quoted debt securities	₱39,839,205	₱–	₱–	(₱2,214,611)	₱37,624,594
Quoted equity investments	6,211,923	–	–	500,000	6,711,923
	₱46,051,128	–	₱–	(₱1,714,611)	₱44,336,517

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED (2011)
DECEMBER 31, 2018

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	₱349,664	₱1,108,031	₱1,406,326	₱–	₱51,369	₱–	₱51,369

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED (2011)
DECEMBER 31, 2018

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	₱–	₱54,718	₱–	₱–	₱54,718	₱–	₱54,718
BDIHI	22,007,066	108,254	–	–	22,115,320	–	22,115,320
BBC	6,029,576	98,063	–	–	6,127,639	–	6,127,639
iBasic	4,120,420	142,081	–	–	4,262,501	–	4,262,501
BGEC	–	4,718	–	–	4,718	–	4,718
SRI	365,060	62,877	–	–	427,937	–	427,937
Grandway	191,546,824	12,355,221	–	–	203,902,045	–	203,902,045

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED (2011)
DECEMBER 31, 2018

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)	₱–
Accounting software	206,700	28,000	(22,371)	–	–	212,329
Non-propriety club shares	200,000	–	–	–	–	200,000
Total	₱4,164,302	₱28,000	(₱22,371)	₱–	(₱3,757,602)	₱412,329

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED (2011)
DECEMBER 31, 2018

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 (2011)
DECEMBER 31, 2018

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 (2011)
DECEMBER 31, 2018

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 -		

ASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED (2011)
DECEMBER 31, 2018

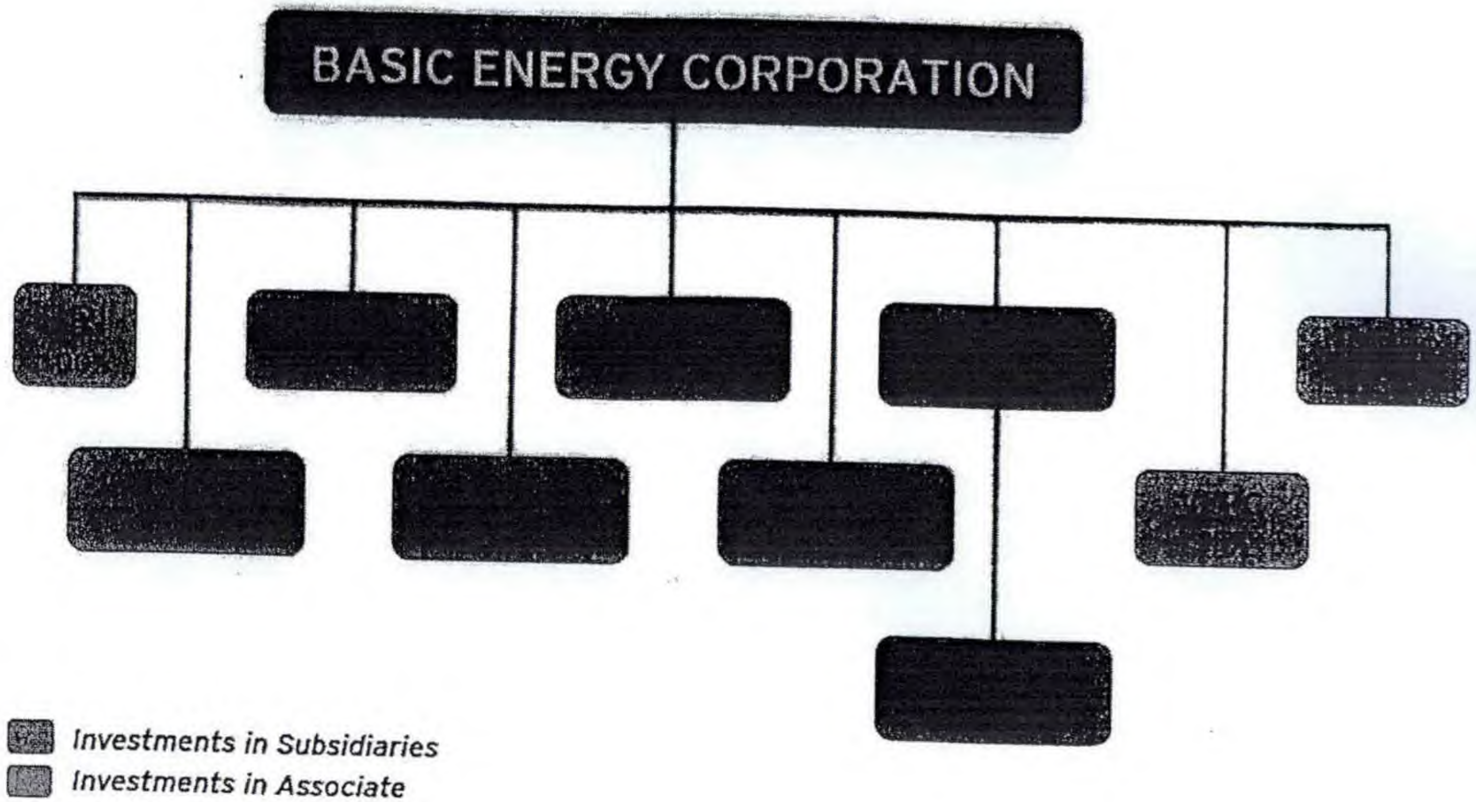
Schedule H. Capital Stock

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	2,708,500,714	–	2,500,000	144,292,842	2,025,000

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION (Part 1, 4C; Annex 68-C)
DECEMBER 31, 2018

Items	Amount
Unappropriated Retained Earnings, Beginning	₱7,761,901
Adjustments	
Fair value adjustment on investment properties	(71,955,696)
Deferred income tax assets	(3,387,087)
Deficit, as Adjusted, Beginning	(67,580,882)
Net Loss Based on the Face of AFS	(25,772,283)
Less: Non-actual/Unrealized Income Net of Tax	
Equity in net income of associate/joint venture	–
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	809,898
Unrealized actuarial gain	–
Fair value adjustment (M2M gains)	–
Fair value adjustment of Investment Property resulting to gain	–
Adjustment due to deviation from PFRS/GAAP-gain	–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	24,184,059
Deferred income tax assets that reduced the amount of provision for income tax	–
Add: Non-actual Losses	
Depreciation on revaluation increment (after tax)	1,548,970
Adjustment due to deviation from PFRS/GAAP - loss	–
Loss on fair value adjustment of investment property (after tax)	–
Net Loss Actual/Realized	(49,217,270)
Add (Less)	
Dividend declarations during the period	–
Appropriations of Retained Earnings during the period	–
Reversals of appropriations	–
Effects of prior period adjustments	–
Treasury shares	(3,240,000)
TOTAL DEFICIT	(₱120,038,152)

BASIC ENERGY CORPORATION AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP (PART 1, 4H)



BASIC ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS (PART 1, 4J)

AS OF DECEMBER 31, 2018

PHILIPPINE FIN[illegible] AND INTERPR[illegible] Effective as of [illegible]		[illegible]	[illegible]opted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions	✓		
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
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	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		

PHILIPPINE FINANCIAL [illegible] AND INTERPRETATIONS Effective as of December [illegible]		[illegible]	[illegible]	Not Applicable
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs			✓
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
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	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓

PHILIPPINE FIN[illegible] AND IN[illegible] Effective [illegible]	[illegible]	[illegible]	[illegible]opted	Not Applicable
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			✓
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment	✓		
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration	✓		
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓

PHILIPPINE FINANCIA[illegible] AND INTERPRETATION[illegible] Effective as of Decem[illegible]		[illegible]	[illegible]	[illegible]plicable
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

Note: Standards and interpretations tagged as "Not Applicable" are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2018.

SCHEDULE V

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS PURSUANT TO SRC RULE 68, AS AMENDED (2011)

DECEMBER 31, 2018

	2018	2017
Profitability ratios:		
Return on assets	**(0.00%)**	(0.00%)
Return on equity	**(0.00%)**	(0.00%)
Net profit margin	**0%**	0%
Solvency and liquidity ratios:		
Current ratio	**3.30:1**	4.51:1
Debt to equity ratio	**0.12:1**	0.11:1
Quick ratio	**2.82:1**	4:30:1
Asset to equity ratio	**1.12:1**	1.11:1

COVER SHEET

3	6	3	5	9	

SEC Registration Number

BASIC ENERGY CORPORATION

(Company's Full Name)

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

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

ALAIN S. PANGAN
(Contact Person)

(632) 817-8596 to 98
(Company Telephone Number)

12 31
Month *Day*
(Calendar Year)

1 7Q
(Form Type)

Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

MSRD
Dept. Requiring this Doc.

Not Applicable
Amended Articles Number/Section

Total Amount of Borrowings

6,587
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.

Electronic Records Management Division
ICTD MAY 28 2019
BY:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

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

1. For the quarterly period ended: **March 31, 2019**
2. Commission Identification No.: **168063**
3. BIR Tax Identification No.: **000-438-702-000**
4. Exact name of issuer as specified in its charter: **BASIC ENERGY CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization: **Philippines**
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office: **7th Floor, Basic Petroleum Building, C. Palanca Street, Legaspi Village, Makati City, Philippines**

   Postal Code: **1229**

8. Issuer's telephone number, including area code: **+63 2 817 8596 to 98**
9. Former name, former address and former fiscal year, if changed since last report: **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	2,815,392,714
Listed with PSE	2,560,118,512

11. Are any or all of the securities listed on a 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 Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes [X] No [ ]

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

    Yes [X] No [ ]

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 Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant:	**Corazon M. Bejasa**
Title:	VP & Corporate Secretary
Date:	
Principal Financial Officer:	**Alain S. Pangan**
Title:	VP - Finance
Date:	

FINANCIAL INFORMATION
For the period ended March 31, 2019

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, 2019 and March 31, 2018;
   1.2 Balance Sheets as of March 31, 2019 and December 31, 2018;
   1.3 Statements of Cash Flows for the Period Ended March 31, 2019 and March 31, 2018;
   1.4 Statements of Changes in Stockholders' Equity for the Period ended March 31, 2019 and March 31, 2018.

2. **Discussion on Financial Condition for the Period December 31, 2017 and March 31, 2018.**

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 2019	1st Qtr 2018	1st Qtr 2017
Return on Investments (ROI) (Net Income / Ave. Stockholders' Equity)	-0.23%	-2.32%	-1.36%
Profit Margin (Net Income / Net Revenue)	-15.47%	-2761.50%	-264.10%
Investment in Projects (Non-Petroleum) as a % of Total Assets	21.00%	37.20%	38.79%
Investment in Wells & Other Facilities as a % of Total Assets	16.06%	17.01%	14.27%
Current Ratio (Current Asset / Current Liabilities)	4.3:1	3.75:1	17.17:1
Asset Turnover (Net revenue / Ave. Total Assets)	1.37%	0.08%	0.54%
Solvency Ratios			
Debt to Equity Ratio	9.04%	12.31%	3.16%
Asset to Equity Ratio	107.74%	110.99%	94.76%
Interest Rate Coverage Ratio	-124.37%	-2153.93%	NA

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.

... quarter of 2018, and -1.36% for the 1st quarter of 2017. The negative rates in 2017, 2018 and 2019 were due to the losses booked during those quarters.

Profit Margin was -15.47% for the 1st quarter of 2019, -2761.51% for the 1st quarter of 2018, and -264.10% for the 1st quarter of 2017. The negative rates in 2016, 2017 and 2018 were due to the losses booked during those quarters.

Investment in Projects (Non-Petroleum) as a % of Total Assets decreased to 21.00% for the 1st quarter of 2019 from 37.20% for the 1st quarter of 2018 which also decreased from 38.79% for the 1st quarter of 2017. The decrease in the 2019 was primarily due to the sale of an investment property and the decrease in 2018 was due to the increase in total assets.

Investment in Wells & Other Facilities as a % of Total Assets increased from 14.27% for the 1st quarter of 2017 to 17.01% for the 1st quarter of 2018 and decreased to 16.06% for the 1st quarter of 2019. The decrease in rate from 2018 to 2019 was due to the decrease in investment and increase in total assets. The increase in rate from 2017 to 2018 was due increases to both investments and total assets.

Current Ratio was 4.30:1 for the 1st quarter of 2019, 3.75:1 for the 1st quarter of 2018, and 17.17:1 for the 1st quarter of 2017. The increase in ratio from 2018 to 2019 was due to the decrease in current liabilities. The decrease in ratio from 2017 to 2018 was due to the increase in current liabilities.

Asset Turnover was 1.37% for the 1st quarter of 2019, 0.08% for the 1st quarter of 2018, and 0.54% for the 1st quarter of 2017. The increase in asset turnover from 2018 to 2019 is due to the increase in revenue for 2019. The decrease in asset turnover from 2017 to 2018 is due to the decrease in revenue and increase in total assets.

Debt to Equity Ratio was 9.04% for the 1st quarter of 2019, 12.31% for the 1st quarter of 2018, and 3.16% for the 1st quarter of 2017. The increase in ratio from 2017 to 2018 was due to the increases in total liabilities and decreased in equity and decrease in ratio from 2018 to 2019 was due to the decrease in total liabilities and increase in equity.

Asset to Equity Ratio was 107.74% for the 1st quarter of 2019, 110.99% for the 1st quarter of 2018, 94.76% for the 1st quarter of 2017, and 101.34% for the 1st quarter of 2016. The increase in ratio from 2017 to 2018 was due to the increase in total assets while equity decreased. The decrease in ratio from 2018 to 2019 was due to the increase in equity.

Interest Rate Coverage Ratio was -124.37% for the 1st quarter of 2019, 2,153.93% for the 1st quarter of 2018 and none for the 1st quarter of 2017. The increase in ratio in 2019 was primarily due to the partial settlement the loan payable as well as the increase in earnings for the quarter.

B. Discussion and Analysis of Financial Condition as of March 31, 2019

For the quarter ending March 31, 2019, the company recorded total revenue of Php10.65 million and total cost and expenses of Php12.17 million resulting to a net loss of Php1.52 million with minority interest recorded at Php0.13 million for a net loss net of minority interests of Php1.65 million.

Total revenue for the 1st quarter of 2019 of Php10.65 million was primarily from management service fees amounting to Php4.80 million, share in net income of associates amounting to Php2.12 million, unrealized foreign exchange gain of Php2.93 million and interest income amounting to Php0.78 million.

Cost and expenses for the 1st quarter of 2019 amounting to Php12.17 million were from general and

Total Assets as of March 31, 2019 stood at Php766.27 million a decrease of Php22.07 million from Php788.34 million as of December 31, 2018. Current assets, composed mostly of cash and cash equivalents amounting to Php84.55 million, receivables amounting to Php34.61 million and refundable deposits amounting to Php39.61 million, decreased by Php26.23 million, as these were used for operations and for the partial settlement of the loan payable. Non-current assets, however, increased by Php4.16 million. The increase was primarily due to the increase in investment in associates amounting to Php3.92 million and financial assets at FVOCI amounting to Php1 .12 million. The increases were partially offset by the decrease in property and equipment amounting to Php1.3 million.

Total Liabilities decreased by Php18.68 million from Php82.97 million as of December 31, 2018 to Php64.29 million as of March 31, 2019 primarily due to the partial settlement of the loan payable.

Total Stockholders' Equity as of March 31, 2019 stood at Php711.21 million a decrease of Php3.52 million from Php714.73 million as of December 31, 2018. This was primarily due to the net loss booked for the 1st quarter of 2019 of Php1.65 million and decreased in cumulative translation adjustment of Php2.99 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, 2018.

The interim operations are not characterized by any seasonality or cyclicality. The nature and number 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, 2019.

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 (SOP) 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, 2017, 117.625 million SOP shares were 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, 2018, there are no other changes in contingent liabilities or assets and no new

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.

CONSOLIDATED BALANCE SHEETS
As of March 31, 2019 and March 31, 2018

		Unaudited 31-Mar-19		Audited 31-Dec-18
Assets				
Current assets				
Cash and cash equivalents	P	84,547,386	P	42,093,952
Receivables, net of allowance for bad debts		34,611,380		127,372,857
Refundable deposits		39,610,895		16,183,711
Other current assets		13,542,698		12,888,673
Total current assets	P	**172,312,359**	P	**198,539,193**
Non current assets				
Investment in associates	P	221,056,671	P	217,136,156
Financial assets at FVOCI		45,457,497		44,336,517
Investment properties		160,879,000		160,879,000
Property and equipment		39,737,306		41,032,391
Deferred charges		123,088,441		123,042,519
Other noncurrent assets		3,741,153		3,372,320
Total non current assets	P	**593,960,068**	P	**589,798,903**
Total assets	P	**766,272,427**	P	**788,338,096**
Liabilities and stockholders' equity				
Current liabilities				
Accounts payable and accrued expenses	P	9,001,718	P	8,994,164
Loan payable		30,000,000		50,000,000
Income tax payable		216,908		216,908
Dividends payable		888,714		888,714
Total current liabilities	P	**40,107,340**	P	**60,099,786**
Noncurrent liabilities				
Accrued retirement benefits payable	P	9,179,839	P	7,867,346
Deferred income tax liabilities		15,006,350		15,006,350
Total noncurrent liabilities	P	**24,186,188**	P	**22,873,696**
Total liabilities	P	**64,293,528**	P	**82,973,482**
Minority interest	P	**(9,231,922)**	P	**(9,361,446)**
Stockholders' equity				
Capital stock attributable to equity holders of the Company	P	703,848,179	P	703,848,179
Additional paid-in capital		42,021,502		42,021,502
Equity reverve on acquisition of non-controlling interest		(53,945,929)		(53,945,929)
Revaluation increment in office condominium		15,747,863		15,747,863
Fair value adjustments on financial assets		2,304,360		1,183,379
Remeasurement loss on acquired retirement benefits		1,751,984		1,751,984
Cumulative translation adjustment		(7,363,263)		(4,374,615)
Share in cumulative translation adjustment of associates		27,544,449		27,544,449
Retained earnings (deficit)		(17,458,322)		(15,810,752)
Total	P	**714,450,822**	P	**717,966,060**
Treasury stock (at cost)		(3,240,000)		(3,240,000)
Total equity	P	**711,210,822**	P	**714,726,060**
Total Liabilities and stockholders' equity	P	766,272,428	P	788,338,096

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
For the period ended March 31, 2019 and March 31, 2018

		As of March 31, 2019		As of March 31, 2018
REVENUES				
Interest, dividends and others	₱	779,395	₱	512,215
Realized foreign exchange gain		20,720		54,222
Unrealized foreign exchange gain		2,925,282		-
Share in net income of associates		2,120,630		-
Management service fees		4,803,010		-
	₱	**10,649,038**	₱	**566,437**
COSTS AND EXPENSES				
General and administrative expenses	₱	11,490,508	₱	14,422,079
Interest expense		676,577		726,215
Unrealized foreign exchange (loss)		-		1,060,326
Other expenses		-		-
	₱	**12,167,084**	₱	**16,208,620**
LOSS BEFORE INCOME TAX	₱	**(1,518,046)**	₱	**(15,642,183)**
PROVISION FOR INCOME TAX				
Current	₱	-	₱	-
Deferred		-		-
	₱	-	₱	-
NET INCOME	₱	**(1,518,046)**	₱	**(15,642,183)**
Minority interest		129,524		(151,551)
	₱	**(1,647,570)**	₱	**(15,490,632)**
RETAINED EARNINGS AT BEGINNING OF THE YEAR/QUARTER		(15,810,752)		7,761,901
RETAINED EARNINGS AT END OF THE YEAR/QUARTER	₱	(17,458,322)	₱	(7,728,731)
Earnings (Loss) per share	₱	(0.0006)	₱	(0.0057)

CONSOLIDATED STATEMENT OF CASH FLOWS
for the period ended of March 31, 2019 and March 31, 2018

		1st Quarter 2019		1st Quarter 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income (loss)	₱	(1,518,046)	₱	(15,642,183)
Adjustment to reconcile net income to net cash provided by operating activities:				
Interest income		779,395		512,215
Depreciation,depletion and amortization		1,295,085		1,312,915
Foreign Exchange Gain/Loss		(2,946,002)		1,006,104
Dividend Income		-		-
Operating income (loss) before working capital changes	₱	**(2,389,567)**	₱	**(12,810,949)**
Changes in assets and liabilities				
Decrease (Increase) in asset/s:				
Receivables	₱	92,761,477	₱	(19,684)
Other assets		-		-
Prepayments and other current assets		(1,022,861)		(1,754,719)
Increase (Decrease) in liabilities				
Accounts payable & accrued expenses		(157,023)		620,081
Loan payable		(20,000,000)		-
Accrued retirement benefits payable		1,312,493		1,800,000
Other liabilities		-		-
Cash generated from (used in) operations	₱	**70,504,518**	₱	**(12,165,271)**
Interest received		(779,395)		(512,215)
Taxes paid		-		-
Net cash flows from (used) in operating activities	₱	**69,725,123**	₱	**(12,677,486)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions (Deductions) to:				
Financial assets at FVOCI	₱	(1,120,980)	₱	530,323
Refundable deposits		(23,427,184)		-
Investment in associates		(3,920,515)		-
Deferred charges		(45,922)		(6,347,656)
Property & equipment		-		(115,999)
Unrealized gain on fair value adjustments		1,120,981		(530,323)
Dividends received		-		-
Net cash flows from (used) in investing activities	₱	**(27,393,621)**	₱	**(6,463,655)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of capital stock	₱	-	₱	-
Net cash flows from (used) in financing activities	₱	-	₱	-
Effect of foreign exchange rate chnages in cash & cash equivalent	₱	2,946,002	₱	(1,006,104)
Cumulative translation adjusment		(2,824,071)		1,710,166
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	₱	**42,453,434**	₱	**(18,437,079)**
Cash and cash equivalent at beginning of the year/quarter		42,093,952		75,029,384
CASH AND CASH EQUIVALENT AT END	₱	**84,547,386**	₱	**56,592,305**

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
for the period ended March 31, 2019 and March 31, 2018

	Quarters ended March 31	
	2019	2018
CAPITAL STOCK		
Par value: Php0.25 per share; Authorized: 10,000,000,000 shares		
Issued and subscribed	2,815,392,714	2,708,500,714
Paid-up capital at beginning of the year	₱ 703,848,179	₱ 677,125,179
Additional subscription	-	-
Paid-up capital at end of the period/quarter	**₱ 703,848,179**	**₱ 677,125,179**
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning of the year	₱ 42,021,502	₱ 35,617,951
Additional subscription	-	-
Balance at end of the period/quarter	**₱ 42,021,502**	**₱ 35,617,951**
Equity reserve in acquisition of non-controlling interest	₱ (53,945,929)	₱ (53,945,929)
Revaluation increment in office condominium	15,747,863	17,296,833
Fair value adjustments on financial assets	2,304,360	2,367,667
Remeasurement loss on acquired retirement benefits	1,751,984	2,163,118
Cumulative translation adjustment	(7,363,263)	(2,713,129)
Cummulative translation adjustment of associates	27,544,449	-
Retained Earnings (Deficit)		
Balance at beginning of the year	(15,810,752)	7,761,901
Net income (loss) for the period	(1,647,570)	(15,490,632)
Balance at the end of the period/quarter	₱ (17,458,322)	₱ (7,728,731)
Total	**₱ 714,450,822**	**₱ 670,182,958**
Treasury stock (at cost)	(3,240,000)	(3,240,000)
TOTAL STOCKHOLDERS' EQUITY	**₱ 711,210,822**	**₱ 666,942,958**

SCHEDULE OF ACCOUNTS RECEIVABLES
as of March 31, 2019

Receivable from stockholders	₱	1,718,887
Receivable from Panphil Aqua		25,123,440
Receivable from Basic CSR foundation		394,753
Receivable from associates		7,624,549
Accrued Interest Receivable		510,571
Advances to Officers & Employees		190,678
Others		1,190,508
	₱	**36,753,386**
Less: Allowance for uncollectible accounts		(2,142,006)
	₱	**34,611,380**

BASIC ENERGY CORPORATION AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
as of March 31, 2019

	Total	1 month	2-3 months	4-6 months	7 Months to 1 Year	1-2 Years	3-5 Years	5 Years and above	Past du e accounts & items in
TRADE RECEIVABLES									
1)	₱ -	-	-	-	-	-	-	-	-
2)	-	-	-	-	-	-	-	-	-
3)	-	-	-	-	-	-	-	-	-
Total trade receivables	₱ -	-	-	-	-	-	-	-	-
Less: Allowance for doubtful accounts	-	-	-	-	-	-	-	-	-
Net trade receivables	₱ -	-	-	-	-	-	-	-	-
NON-TRADE RECEIVABLES									
1) Receivables from stockholders	₱ 1,718,887	-	-	-	-	-	-	1,718,887	-
2) Receivables from Panphil Aqua	25,123,440	3,428	25,120,011	-	-	-	-	-	-
3) Receivables from Basic CSR Foundation	394,753	3,428	6,475	-	-	384,850	-	-	-
4) Receivables from associate	7,624,549	4,803,010	2,821,539	-	-	-	-	-	-
5) Accrued interest receivable	510,571	191,217	-	319,354	-	-	-	-	-
6) Advances to officers/employees	190,678	190,678	-		-	-	-	-	-
7) Others	1,190,509	6,857	58,181	11,887	63,426	478,718	101,899	469,541	-
Total non-trade receivables	**₱ 36,753,387**	**5,198,618**	**28,006,207**	**331,241**	**63,426**	**863,568**	**101,899**	**2,188,428**	-
Less: Allowance for doubtful accounts	(2,142,006)	-	-	-	-	-	-	(2,142,006)	-
Net non-trade receivables	**₱ 34,611,380**	**5,198,618**	**28,006,207**	**331,241**	**63,426**	**863,568**	**101,899**	**46,422**	-
NET RECEIVABLES	**₱ 34,611,380**	**5,198,618**	**28,006,207**	**331,241**	**63,426**	**863,568**	**101,899**	**46,422**	-

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SCHEDULE OF ACCOUNTS PAYABLE AND ACCRUED EXPENSES
as of March 31, 2019

Accrued Expense Payables	₱	5,148,250
SSS/Philhealth/HDMF/BIR Payables		87,027
Others		3,766,441
	₱	**9,001,718**

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 Group applied for the first-time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2018.

- Amendments to PFRS 2, *Share-based Payment*, Classification and Measurement of Share-based Payment Transactions

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  Adoption of these amendments did not have any impact on the consolidated financial statements.

- PFRS 9, *Financial Instruments*

  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. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 from January 1, 2018 resulted in changes in accounting policies, particularly on the accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach, but did not have a material impact on the consolidated financial statements. Also, the Group's financial assets previously classified as loans and receivables under PAS 39 are classified as financial assets at amortized cost under PFRS 9, while the investments in debt securities and equity securities previously classified as available-for-sale (AFS) financial assets under PAS 39 are classified as financial assets at FVOCI under PFRS 9. The adoption of PFRS 9 did not result to changes in the classification and measurement of financial liabilities. The Group has provided other required information in Note 27 to the consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts*, Applying PFRS 9 with PFRS 4

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS restated comparative information when applying PFRS 9.

The amendments were not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that applies to revenue arising from contracts with customers. Under PFRS 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 PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under PFRS 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 standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group adopted PFRS 15 using the modified retrospective method of adoption.

  The Group undertook an analysis of the impact of the new revenue standard based on a review of the contractual terms of its management services agreement and assessed that the amount and timing of revenue recognized under PFRS 15 is the same as that under PAS 18.

  Adoption of the standard did not have a significant impact on the consolidated financial statements.

- Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014–2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  The adoption of these amendments did not have any impact on the consolidated financial statements.

- Amendments to PAS 40, *Investment Property*, Transfers of Investment Property

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

Since the Group's current practice was in line with the clarifications issued, the adoption of these amendments did not have any significant effect on its consolidated financial statements.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or nonmonetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  Since the Group's current practice was in line with the clarifications issued, the adoption of these interpretations did not have any significant effect on its consolidated financial statements.

<u>Standards Issued but not yet Effective</u>

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective Beginning on or after January 1, 2019

- Amendments to PFRS 9, Prepayment Features with Negative Compensation

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The amendments have no impact on the consolidated financial statements as the Group has no debt instrument with negative compensation prepayment feature.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

... will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The Group is currently assessing the impact of this amendment on the consolidated financial statements.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

- Annual Improvements to PFRSs 2015–2017 Cycle

  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, Previously Held Interest in a Joint Operation applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs*, Borrowing Costs Eligible for Capitalization

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

The Group is currently assessing the impact of the adoption of these amendments.

Effective Beginning on or after January 1, 2020

- Amendments to PFRS 3, Definition of a Business

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

after January 1, 2020, with earlier application permitted.

These amendments will apply to future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Definition of Material

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective Beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes its broader review of the research project on equity accounting that may result in the

Summary of Significant Accounting Policies

Presentation of Consolidated Financial Statements

The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss (consolidated statement of income) and a second statement beginning with profit or loss and displaying components of other comprehensive income (OCI; consolidated statement of comprehensive 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 12 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 12 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 12 months after the end of the financial reporting period.

The Group classifies all other liabilities as noncurrent.

Fair Value Measurement

The Group measures financial assets at FVOCI, AFS financial assets and investment properties, at fair value at each end of the 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 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.

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.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business at the end of the financial reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow (DCF) analysis or other valuation models.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level in the fair value hierarchy as explained above.

An analysis of the fair values of financial assets at FVOCI and investment properties and further details as to how they are measured are provided in Note 26.

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 (Prior to Adoption of PFRS 9)

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 (i.e., the date that the Parent Company commits to purchase or sell the asset).

Initial Recognition and Measurement. 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.

... of all financial assets and financial liabilities, except for financial instruments at fair value through profit or loss (FVPL).

- *Financial Assets.* Financial assets within the scope of PAS 39 are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and available-for-sale (AFS) financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

- *Financial Liabilities.* Also under PAS 39, financial liabilities are classified as financial liabilities at FVPL, derivatives designated as hedging instruments in an effective hedge, or as other financial liabilities. 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.

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

- *Loans and Receivables.* Loans and receivables are nonderivative 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 losses arising from impairment are recognized in the consolidated statement of 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 12 months from the financial reporting date or within the Parent Company's operating cycle. 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" account until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated statement of income, or determined to be impaired, at which time the cumulative loss is reclassified to consolidated statement of income 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 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 the consolidated statement of income over the remaining life of the investment using the EIR method. 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 consolidated statement of income.

- *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 EIR 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 EIR. 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.

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 income (charges) - net" in the consolidated statement of income.

Other financial liabilities are included in current liabilities if settlement is to be made within 12 months from the financial reporting date. Otherwise, these are classified as noncurrent liabilities.

Impairment of Financial Assets (Prior to Adoption of PFRS 9)

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

... 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 and the amount of the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest income" in the consolidated statement of income.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment loss was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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.

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 income.

Impairment losses on equity investments are not reversed through consolidated statement of income while increases in the 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 "Interest income" account in the consolidated statement of 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 statement of income, the impairment loss is reversed through consolidated statement of income.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Instruments: Financial Assets

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at Amortized Cost (Debt Instruments). The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes "Cash and cash equivalents", "Receivables", and "Refundable deposits" in the consolidated statement of financial position.

Financial Assets at Fair Value through OCI (Debt Instruments). The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

For debt instruments at fair value through OCI, interest income is recognized in the consolidated statement of income while foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments.

Financial Assets at Fair Value through OCI (Equity Instruments). Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investments in unquoted equity securities under this category.

Impairment of Financial Assets. The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial Instruments: Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss (FVTPL), loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include "Accounts payable and accrued expenses", "Loan payable", "Dividends payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards).

cost using the EIR method. Gains and losses are recognized in profit or loss 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 is included as finance costs under the "Interest expense" in the consolidated statement of comprehensive income.

Derecognition of Financial Assets and Financial Liabilities (Prior to Adoption of PFRS 9)

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flow from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset 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 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 the consolidated statement of 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.

power to participate in the financial and operating policy decisions of the investee, but is not contro l or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carry ing amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carry ing amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Prepayments and Other Current Assets

Prepayments. Prepayments are expenses paid in advance and recorded as assets 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 consolidated statement of income when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets otherwise, these are classified as other noncurrent assets.

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

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

... properties are included in the consolidated statement of income 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 statement of income in the year of retirement or disposal.

Property and Equipment

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

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

Any revaluation increment is credited to the "Revaluation increment in office condominium" account in the equity section of the consolidated statement 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 the consolidated statement of income 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
Machinery and equipment	10
Transportation equipment	5
Building and building improvements	15
Office equipment, furniture and fixtures	3
Office condominium	15

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.

management.

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 income in the year the item is derecognized.

Fully depreciated assets are retained in the accounts until they are no longer in use.

Deferred Exploration 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) or Geophysical Survey and Exploration Contract]. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

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

Impairment of Nonfinancial Assets

Deferred Exploration 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.

Investment Properties, 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 income in those expense categories consistent with the function of the impaired asset.

... 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 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 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 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.

Impairment losses are recognized in the consolidated statement of income.

Equity

Capital Stock. 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.

Additional Paid-in Capital. 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. Incremental costs that are directly attributable to the issuance of new shares are charged to this account.

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 BOD 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.

not recognized in the consolidated statement of income for the year in accordance with PFRS.

Retained Earnings. The amount included in retained earnings includes cumulative profit or 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.

Basic/Diluted Loss per Share

Basic Loss per Share. Basic loss per share amounts are calculated by dividing the net loss 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 Loss per Share. Diluted loss per share amounts are calculated by dividing the net loss 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

The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Prior to 2018, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.

Interest Income. Interest income from bank deposits is recognized as it accrues using the effective interest rate method.

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

Other Income. Other income, which normally includes sale of property and equipment, is recognized as revenue when earned and received.

Expenses

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. Expenses are generally recognized when the services are used or the expense arises while interest expenses are accrued in the appropriate financial reporting date.

Retirement Benefits

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), 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 the consolidated statement of income. 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, *Employee Benefits*, 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.

<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 the consolidated statement of income. Management

... interpretation and establishes provisions where appropriate.

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

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

<u>Related Party Transactions</u>
Transactions with related parties are accounted for based on the nature and substance of the agreement, and financial effects are included in the appropriate asset, liability, income and expense accounts.

<u>Segment Information</u>
The Group considers investment holding and geothermal energy projects 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.

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 - net" in the consolidated statement of income under "Unrealized foreign exchange gain (loss) - net" account.

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 in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits 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 PFRSs requires management to make judgments, estimates and assumptions 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:

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.

Determination of Significant Influence over an Investee Company. The Group has 15% interest each in VEPC and VINTER, which is below the 20% threshold where significant influence is presumed under PAS 28. The Group considers its 15% investments each in VEPC and VINTER as investments in associates as it concluded that it has significant influence over the operating and financial policies of its investments in associates due to the following:

- participation in policy-making processes, including participation in decisions about dividends and other distributions; and
- material transactions between the investor and investee.

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

Capitalization of Exploration and Evaluation Costs. Careful judgment of management is applied when deciding whether the recognition requirements for exploration and evaluation assets relating to the Group's exploration projects 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.

Contractual Cash Flows Assessment (Applicable upon adoption of PFRS 9). Beginning January 1, 2018, for each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.
In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Evaluation of Business Model in Managing Financial Instruments (Applicable upon adoption of PFRS 9). Beginning January 1, 2018, the Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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 impairment. 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 Provision for Expected Credit Losses (Upon Adoption of PFRS 9). The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for each counterparty.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Group's receivables is disclosed in Note 27.

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.

Revaluation of Office Condominium and Investment Properties. The Group carries its investment properties at fair value with changes in fair value recognized in the consolidated statement of income, and carries its office condominium at revalued amount with changes in fair value recognized in the consolidated statement of changes in equity. The Group engaged an external appraiser to assess the fair value of its investment properties as at December 31, 2018.

For investment properties, a valuation methodology based on market approach was used, which is a comparative approach that considers the sales of similar or substitute assets and related market data and establishes a value estimate by processes involving comparison. In addition, it measures the office condominium at revalued amount, with changes in fair value being recognized in OCI. The market approach was used for the office condominium, which provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available.

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

- 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, 2018 and 2017, the Group assessed that there were no impairment indicators on its property and equipment.

Impairment of Investments in Associate. The Group determines whether there is objective evidence that the investments in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss in the consolidated statement of income.

Impairment and Write-off of Deferred Exploration Costs. The Group assesses impairment on deferred exploration costs 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 exploration costs, 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.

Estimation of Retirement Benefits. The cost of defined benefit pension plan as well as the present value of the defined benefit obligation is determined using actuarial valuation. The actuarial valuation involves making various assumptions which include the determination of the discount rates, future salary increases and mortality rates. 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.

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 assets related to the provision for impairment loss and some portion of NOLCO and MCIT.

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 (DCF) 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.

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SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931to39Fax:(632)725-5293Email: mis@sec.gov.ph

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Company Information

SEC Registration No.	0000036359
Company Name	BASIC ENERGY CORPORATION
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	108152019000772
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SEC Registration Number

BASIC ENERGY CORPORATION

(Company's Full Name)

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

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

ALAIN S. PANGAN

(Contact Person)

(632) 817-8596 to 98

(Company Telephone Number)

1 2	3 1
Month	*Day*

(Calendar Year)

17Q

(Form Type)

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

MSRD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

6,610

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

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

1. For the quarterly period ended: **June 30, 2019**

2. Commission Identification No.: **168063**

3. BIR Tax Identification No.: **000-438-702-000**

4. Exact name of issuer as specified in its charter: **BASIC ENERGY CORPORATION**

5. Province, country or other jurisdiction of incorporation or organization: **Philippines**

6. Industry Classification Code: ____________ (SEC Use Only)

7. Address of issuer's principal office: **7th Floor, Basic Petroleum Building, C. Palanca Street, Legaspi Village, Makati City, Philippines**

   Postal Code: **1229**

8. Issuer's telephone number, including area code: **+63 2 817 8596 to 98**

9. Former name, former address and former fiscal year, if changed since last report: **N/A**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	2,815,392,714
Listed with PSE	2,603,684,382

11. Are any or all of the securities listed on a 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 Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes [X] No [ ]

    (b) has been subject to such filing requirements for the past ninety (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 Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant:	**Corazon M. Bejasa**
Title:	VP & Corporate Secretary
Date:	08/14/2019
Principal Financial Officer:	**Alain S. Pangan**
Title:	VP - Finance
Date:	08/14/2019

ATTACHMENT "A"

FINANCIAL INFORMATION
For the period ended June 30, 2019

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

1.1 Statements of Income and Retained Earnings for the Period Ended June 30, 2019 and June 30, 2018;
1.2 Balance Sheets as of June 30, 2019 and December 31, 2018;
1.3 Statements of Cash Flows for the Period Ended June 30, 2019 and June 30, 2018;
1.4 Statements of Changes in Stockholders' Equity for the Period ended June 30, 2019 and June 30, 2018.

2. Discussion on Financial Condition for the Period December 31, 2018 and June 30, 2019.
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	2nd Qtr 2019	2nd Qtr 2018	2nd Qtr 2017
Return on Investments (ROI) (Net Income / Ave. Stockholders' Equity)	-4.72%	-6.43%	-3.00%
Profit Margin (Net Income / Net Revenue)	-299.55%	-4514.95%	-381.89%
Investment in Projects (Non-Petroleum) as a % of Total Assets	22.78%	38.09%	39.52%
Investment in Wells & Other Facilities as a % of Total Assets	15.66%	17.11%	17.42%
Current Ratio (Current Asset / Current Liabilities)	12.38:1	3.44:1	14.09:1
Asset Turnover (Net revenue / Ave. Total Assets)	1.47%	0.13%	0.83%
Solvency Ratios			
Debt to Equity Ratio	5.32%	13.00%	3.38%
Asset to Equity Ratio	103.97%	111.57%	94.84%
Interest Rate Coverage Ratio	-3614.94%	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 -4.72% for the 2nd quarter of 2019, -6.43% for the 2nd quarter of 2018, and -3.00% for the 2nd quarter of 2017. The negative rates in 2017, 2018 and 2019 were due to the losses booked during those quarters.

Profit Margin was -299.55% for the 2nd quarter of 2019, -4,514.95% for the 2nd quarter of 2018, and -381.89% for the 2nd quarter of 2017. The negative rates in 2016, 2017 and 2018 were due to the losses booked during those quarters.

Investment in Projects (Non-Petroleum) as a % of Total Assets decreased to 22.78% for the 2nd quarter of 2019 from 38.09% for the 2nd quarter of 2018 which also decreased from 39.52% for the 2nd quarter of 2017. The decrease in the 2019 was primarily due to the sale of an investment property and the decrease in 2018 was due to the increase in total assets.

Investment in Wells & Other Facilities as a % of Total Assets decreased from 17.42% for the 2nd quarter of 2017 to 17.11% for the 2nd quarter of 2018 and further decreased to 15.66% for the 2nd quarter of 2019. The decrease in rate from 2018 to 2019 was due to the decrease in investment and increase in total assets. The decrease in rate from 2017 to 2018 was due decreases to both investments and total assets.

Current Ratio was 12.38:1 for the 2nd quarter of 2019, 3.44:1 for the 2nd quarter of 2018, and 14.09:1 for the 2nd quarter of 2017. The increase in ratio from 2018 to 2019 was due to the decrease in current liabilities. The decrease in ratio from 2017 to 2018 was due to the increase in current liabilities.

Asset Turnover was 1.47% for the 2nd quarter of 2019, 0.13% for the 2nd quarter of 2018, and 0.83% for the 2nd quarter of 2017. The increase in asset turnover from 2018 to 2019 is due to the increase in revenue for 2019. The decrease in asset turnover from 2017 to 2018 is due to the decrease in revenue and increase in total assets.

Debt to Equity Ratio was 5.32% for the 2nd quarter of 2019, 13.00% for the 2nd quarter of 2018, and 3.38% for the 2nd quarter of 2017. The increase in ratio from 2017 to 2018 was due to the increases in total liabilities and decreased in equity and decrease in ratio from 2018 to 2019 was due to the decrease in total liabilities and increase in equity.

Asset to Equity Ratio was 103.97% for the 2nd quarter of 2019, 111.57% for the 2nd quarter of 2018, and 94.84% for the 2nd quarter of 2017. The increase in ratio from 2017 to 2018 was due to the increase in total assets while equity decreased. The decrease in ratio from 2018 to 2019 was due to the increase in equity.

Interest Rate Coverage Ratio was -3,614.94% for the 2nd quarter of 2019, 27.39% for the 2nd quarter of 2018 and none for the 1st quarter of 2017. The decrease in ratio in 2019 was primarily due to the partial settlement the loan payable as well as the increase in earnings for the quarter.

B. Discussion and Analysis of Financial Condition as of June 30, 2019

For the quarter ending June 30, 2019, the company recorded total revenue of Php10.99 million and total cost and expenses of Php43.93 million resulting to a net loss of Php32.93 million with minority interest recorded at Php0.17 million for a net loss net of minority interests of Php33.10 million.

Total revenue for the 2nd quarter of 2019 of Php2.47 million was primarily from management service fees amounting to Php1.03 million, unrealized foreign exchange gain of Php0.46 million and interest income amounting to Php0.98 million.

Cost and expenses for the 2nd quarter of 2019 amounting to Php33.88 million were from general and administrative expenses amounting to Php14.85 million, provision for impairment loss of Php12.58 million, share in net loss of associates amounting to Php 6.24 million and interest expense amounting

ROI was -4.72% for the 2nd quarter of 2019, -6.43% for the 2nd quarter of 2018, and -3.00% for the 2nd quarter of 2017. The negative rates in 2017, 2018 and 2019 were due to the losses booked during those quarters.

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Total Assets as of June 30, 2019 stood at Php706.34 million a decrease of Php82 million from Php788.34 million as of December 31, 2018. Current assets, composed mostly of cash and cash equivalents amounting to Php43 million, receivables amounting to Php35.62 million and refundable deposits amounting to Php39.61 million, decreased by Php66.70 million, as these were used for operations and for the settlement of the loan payable. Non-current assets, decreased by Php15.29 million. The decrease was primarily due to the decreases in deferred charges amounting to Php12.39 million, investment in associates amounting to Php2.32 million and property and equipment amounting to Php2.57 million.

Total Liabilities decreased by Php49.45 million from Php60.1 million as of December 31, 2018 to Php10.65 million as of June 30, 2019 primarily due to the settlement of the loan payable.

Total Stockholders' Equity as of June 30, 2019 stood at Php679.39 million a decrease of Php35.34 million from Php714.73 million as of December 31, 2018. This was primarily due to the net loss booked for the 1st half of 2019 of Php33.1 million and decreased in cumulative translation adjustment of Php3.66 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, 2018.

The interim operations are not characterized by any seasonality or cyclicality. The nature and number 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, 2019.

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 (SOP) 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, 2017, 117.625 million SOP shares were 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, 2018, 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.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of June 30, 2019 and December 31, 2018

		UNAUDITED June 30, 2019		AUDITED December 31, 2018
ASSETS				
Current Assets				
Cash and cash equivalents	₱	42,996,172	₱	42,093,952
Receivables, net of allowance for doubtful accounts		35,622,247		127,372,857
Refundable deposits		39,610,895		16,183,711
Other current assets		13,607,182		12,888,673
Total Current Assets	**₱**	**131,836,496**	**₱**	**198,539,193**
Noncurrent Assets				
Investment in associates	₱	214,816,955	₱	217,136,156
Financial assets at FVOCI		45,763,021		44,336,517
Investment properties		160,879,000		160,879,000
Property and equipment		38,464,450		41,032,391
Deferred charges		110,648,141		123,042,519
Other noncurrent assets		3,934,908		3,372,320
Total Noncurrent Assets	**₱**	**574,506,475**	**₱**	**589,798,903**
TOTAL ASSETS	**₱**	**706,342,971**	**₱**	**788,338,096**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	₱	9,757,508	₱	8,994,164
Loan Payable		-		50,000,000
Income tax payable		-		216,908
Dividends payable		888,714		888,714
Total Current Liabilities	**₱**	**10,646,222**	**₱**	**60,099,786**
Noncurrent Liabilities				
Accrued retirement benefits payable	₱	10,492,331	₱	7,867,346
Deferred income tax asset		15,006,350		15,006,350
Total Noncurrent Liabilities	**₱**	**25,498,681**	**₱**	**22,873,696**
TOTAL LIABILITIES	**₱**	**36,144,903**	**₱**	**82,973,482**
Minority Interest	**₱**	**(9,189,511)**	**₱**	**(9,361,446)**
Stockholders' Equity				
Equity attributable to equity holders of the Parent Company				
Capital stock	₱	703,848,179	₱	703,848,179
Additional Paid-in Capital		42,021,502		42,021,502
Equity reserve on acquisition on non-controlling interest		(53,945,929)		(53,945,929)
Revaluation increment in office condominium		15,747,863		15,747,863
Fair value adjustments on financial assets		2,609,882		1,183,379
Remeasurement loss on acquired retirement benefits		1,751,984		1,751,984
Cumulative translation adjustment		(8,035,696)		(4,374,615)
Share in cumulative translation adjustment of associates		27,544,449		27,544,449
Retained earnings		(48,914,655)		(15,810,752)
Total Stockholders' Equity	**₱**	**682,627,579**	**₱**	**717,966,060**
Treasury stock (at cost)		(3,240,000)		(3,240,000)
TOTAL STOCKHOLDERS' EQUITY	**₱**	**679,387,579**	**₱**	**714,726,060**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**₱**	**706,342,971**	**₱**	**788,338,096**

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
For the period ended June 30, 2019 and June 30, 2018

	For the period ended 30-Jun-19	For the quarter April-June 2019	For the period ended 30-Jun-18	For the quarter April-June 2018
REVENUES				
Interest, Dividends and Others	₱ 1,756,709	₱ 977,314	859,005	346,790
Management services fees	5,836,795	1,033,785		-
Unrealized Foreign Exchange Gain	3,382,922	457,639		-
Realized Foreign Exchange Gain	17,345	(3,375)	87,919	33,697
	₱ 10,993,771	**₱ 2,465,363**	**₱ 946,924**	**₱ 380,487**
COSTS AND EXPENSES				
General and administrative expenses	₱ 26,339,288	₱ 14,848,780	33,655,289	19,233,210
Unrealized Foreign Exchange Loss	-	-	8,538,728	7,478,402
Interest Expense	886,473	209,896	1,506,076	779,861
Provision for impairment losses	12,580,893	12,580,893	-	-
Share in net loss of associates	4,119,086	6,239,716	-	-
	₱ 43,925,740	**₱ 33,879,285**	**₱ 43,700,093**	**₱ 27,491,473**
LOSS BEFORE INCOME TAX	**₱ (32,931,969)**	**₱ (31,413,922)**	**₱ (42,753,169)**	**₱ (27,110,986)**
PROVISION FOR INCOME TAX				
Current	₱ -	₱ -	₱ -	₱ -
Deferred	-	-	-	-
	₱ -	**₱ -**	**₱ -**	**₱ -**
NET INCOME	**₱ (32,931,969)**	**₱ (31,413,922)**	**₱ (42,753,169)**	**₱ (27,110,986)**
Minority Interest	(171,935)	(42,412)	585,774	737,325
	₱ (33,103,904)	**₱ (31,456,334)**	**₱ (42,167,395)**	**₱ (26,373,661)**
RETAINED EARNINGS AT BEGINNING OF THE YEAR/QUARTER	(15,810,752)	(17,458,322)	7,761,901	(8,031,832)
RETAINED EARNINGS AT END OF THE YEAR/QUARTER	₱ (48,914,656)	₱ (48,914,656)	₱ (34,405,494)	₱ (34,405,494)
Earnings (Loss) per Share	₱ (0.0118)	₱ (0.0112)	₱ (0.0156)	₱ (0.0097)

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended June 30, 2019 and June 30, 2018

	For the period ended 30-Jun-19	For the quarter April-June 2019	For the period ended 30-Jun-18	For the quarter April-June 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income (loss)	₱ (32,931,969)	₱ (31,413,922)	₱ (42,753,169)	₱ (27,110,986)
Adjustment to reconcile net income to net cash provided by operating activities:				
Interest income	₱ (1,756,709)	₱ (2,536,104)	₱ (859,005)	₱ (1,371,220)
Depreciation,depletion and amortization	2,567,941	1,272,856	2,622,709	1,309,794
Loss (gain) on sale of property and equipments and investments				
Fair Value Adjustment on financial assets at FVPL and Impairment losses on AFS				
Foreign Exchange Gain/Loss	(3,400,267)	(454,265)	8,450,809	7,444,705
Dividend Income				
Operating income (loss) before working capital changes	₱ (35,521,004)	₱ (33,131,435)	₱ (32,538,656)	₱ (19,727,707)
Changes in assets and liabilities				
Decrease (Increase) in asset/s:				
Financial assets at fair value through profit or loss	₱ -	₱ -	₱ -	₱ -
Receivables	91,750,610	(1,010,867)	40,714	60,398
Other assets				
Prepayments and other current assets	(1,281,096)	(258,235)	(1,908,063)	(153,344)
Increase (Decrease) in liabilities				
Accounts payable & accrued expenses	763,344	920,367	941,919	321,838
Loan payable	(50,000,000)	(30,000,000)	-	-
Accrued retirement benefits payable	2,624,985	1,312,492	3,600,000	1,800,000
Other Liabilities	-	-	-	-
Cash generated from (used in) operations	₱ 8,336,839	₱ (62,167,678)	₱ (29,864,087)	₱ (17,698,816)
Interest received	1,756,709	2,536,104	859,005	1,371,220
Taxes paid	(216,908)	(216,908)	(11,800)	(11,800)
Net cash flows from (used) in operating activities	₱ 9,876,640	₱ (59,848,482)	₱ (29,016,882)	₱ (16,339,396)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions (Deductions) to:				
Financial assets at FVOCI	₱ (1,426,504)	₱ (305,524)	₱ 715,745	₱ 185,422
Refundable deposits	(23,427,184)	-	-	-
Investment in associates	2,319,201	6,239,716	-	-
Unrealized gain on fair value adjustments	1,426,503	305,522	(715,745)	(185,422)
Deferred charges	12,394,378	12,440,300	(9,049,210)	(2,701,554)
Property & equipment	-	-	(121,399)	(5,400)
Net cash flows from (used) in investing activities	₱ (8,713,606)	₱ 18,680,014	₱ (9,170,609)	₱ (2,706,954)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of capital stock	₱ -	₱ -	₱ -	₱ -
Proceeds from deposit for future subscription	-	-	-	-
Net cash flows from (used) in financing activities	₱ -	₱ -	₱ -	₱ -
Effect of foreign exchange rate chnages in cash & cash equivalent	₱ 3,400,267	₱ 454,265	₱ (8,450,809)	₱ (7,444,705)
Cumulative translation adjusment	(3,661,081)	(837,010)	9,610,617	7,900,451
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENT	₱ 902,221	₱ (41,551,213)	₱ (37,027,683)	₱ (18,590,604)
Cash and cash equivalent at beginning of the year/quarter	42,093,952	84,547,386	75,029,384	56,592,306
CASH AND CASH EQUIVALENT AT END	₱ 42,996,172	₱ 42,996,172	₱ 38,001,702	₱ 38,001,701

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the period ended June 30, 2019 and June 30, 2018

	Jan to June		Quarters ended June 30	
	2019	2018	2019	2018
CAPITAL STOCK				
Par value: Php0.25 per share; Authorized: 10,000,000,000 shares				
Issued and subscribed	2,815,392,714	2,708,500,714	2,815,392,714	2,708,500,714
Paid-up capital at beginning of the year	₱ 703,848,179	₱ 677,125,179	703,848,179	677,125,179
Additional subscription	-	-	-	-
Paid-up capital at end of the period/quarter	**₱ 703,848,179**	**₱ 677,125,179**	**₱ 703,848,179**	**₱ 677,125,179**
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of the year	₱ 42,021,502	₱ 35,617,951	₱ 42,021,502	₱ 35,617,951
Additional subscription	-	-	-	-
Balance at end of the period/quarter	**₱ 42,021,502**	**₱ 35,617,951**	**₱ 42,021,502**	**₱ 35,617,951**
Revaluation increment in office condominium	₱ 15,747,863	₱ 17,296,833	15,747,863	17,296,833
Equity reserve on acquisition of non-controlling interest	(53,945,929)	(53,945,929)	(53,945,929)	(53,945,929)
Fair value adjustments on financial assets	2,609,882	2,182,245	2,609,882	2,182,245
Remeasurement loss on acquired retirement benefits	1,751,984	2,163,118	1,751,984	2,163,118
Cumulative translation adjustment	(8,035,696)	5,187,322	(8,035,696)	5,187,322
Cumulative translation adjustment of associates	27,544,449	-	27,544,449	-
Retained earnings (deficit)				
Balance at beginning of the year	(15,810,752)	7,761,901	(17,458,322)	(8,031,832)
Net income (loss) for the period	(33,103,904)	(42,167,395)	(31,456,334)	(26,373,661)
Balance at the end of the period/quarter	₱ (48,914,656)	₱ (34,405,494)	₱ (48,914,656)	₱ (34,405,493)
Total	**₱ 682,627,578**	**₱ 651,221,225**	**₱ 682,627,578**	**₱ 651,221,226**
Treasury stock (at cost)	(3,240,000)	(3,240,000)	(3,240,000)	(3,240,000)
TOTAL STOCKHOLDERS' EQUITY	**₱ 679,387,579**	**₱ 647,981,226**	**₱ 679,387,579**	**₱ 647,981,226**

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SCHEDULE OF ACCOUNTS RECEIVABLES
As of June 30, 2019

Receivablle from Panphil Aqua Culture Corp	₱	25,123,440
Receivable from Associates		8,658,335
Receivable from CSR		394,753
Receivable from Stockholders		1,718,887
Accrued Interest Receivable		269,738
Advances to Officers & Employees		415,235
Others		1,183,866
	₱	**37,764,253**
Less: Allowance for uncollectible accounts		(2,142,006)
	₱	**35,622,247**

BASIC ENERGY CORPORATION AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
As of June 30, 2019

	Total	1 month	2-3 months	4-6 months	7 Months to 1 Year	1-2 Years	3-5 Years	5 Years and above	Past due accounts & items in
TRADE RECEIVABLES									
1)	₱ -	-	-	-	-	-	-	-	-
2)	-	-	-	-	-	-	-	-	-
3)	-	-	-	-	-	-	-	-	-
Total trade receivables	**₱ -**	-	-	-	-	-	-	-	-
Less: Allowance for doubtful accounts	-	-	-	-	-	-	-	-	-
Net trade receivables	**₱ -**	-	-	-	-	-	-	-	-
NON-TRADE RECEIVABLES									
1) Receivables from Panphil	₱ 25,123,440		3,428	25,120,011					-
2) Receivables from CSR	394,753	3,428	6,475			384,850			-
3) Receivables from stockholders	1,718,887							1,718,887	-
4) Receivables from Associates	8,658,335	1,033,785	4,803,010	2,821,539					-
5) Accrued interest receivable	269,738	203,329	66,409						
6) Advances to officers/employees	415,235	43,076	48,639	323,520					
7) Others	1,183,866	1,200	4,475	5,412	63,426	96,881	542,931	469,541	-
Total non-trade receivables	**₱ 37,764,253**	**1,284,819**	**4,932,437**	**28,270,482**	**63,426**	**481,731**	**542,931**	**2,188,428**	-
Less: Allowance for doubtful accounts	2,142,006	-	-	-	-	-	-	2,142,006	-
Net non-trade receivables	**₱ 35,622,247**	**1,284,819**	**4,932,437**	**28,270,482**	**63,426**	**481,731**	**542,931**	**46,422**	-
NET RECEIVABLES	**₱ 35,622,247**	**1,284,819**	**4,932,437**	**28,270,482**	**63,426**	**481,731**	**542,931**	**46,422**	-

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SCHEDULE OF ACCOUNTS PAYABLE AND ACCRUED EXPENSES
As of June 30, 2019

Accrued Expense Payables	₱	5,306,964
SSS/Philhealth/HDMF/BIR Payables		632,555
Others		3,817,989
	₱	**9,757,508**

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 Group applied for the first-time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2018.

- Amendments to PFRS 2, *Share-based Payment*, Classification and Measurement of Share-based Payment Transactions

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  Adoption of these amendments did not have any impact on the consolidated financial statements.

- PFRS 9, *Financial Instruments*

  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. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 from January 1, 2018 resulted in changes in accounting policies, particularly on the accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach, but did not have a material impact on the consolidated financial statements. Also, the Group's financial assets previously classified as loans and receivables under PAS 39 are classified as financial assets at amortized cost under PFRS 9, while the investments in debt securities and equity securities previously classified as available-for-sale (AFS) financial assets under PAS 39 are classified as financial assets at FVOCI under PFRS 9. The adoption of PFRS 9 did not result to changes in the classification and measurement of financial liabilities. The Group has provided other required information in Note 27 to the consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts*, Applying PFRS 9 with PFRS 4

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS

9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments were not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that applies to revenue arising from contracts with customers. Under PFRS 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 PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under PFRS 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 standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group adopted PFRS 15 using the modified retrospective method of adoption.

  The Group undertook an analysis of the impact of the new revenue standard based on a review of the contractual terms of its management services agreement and assessed that the amount and timing of revenue recognized under PFRS 15 is the same as that under PAS 18.

  Adoption of the standard did not have a significant impact on the consolidated financial statements.

- Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014–2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  The adoption of these amendments did not have any impact on the consolidated financial statements.

- Amendments to PAS 40, *Investment Property*, Transfers of Investment Property

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

Since the Group's current practice was in line with the clarifications issued, the adoption of these amendments did not have any significant effect on its consolidated financial statements.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or nonmonetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  Since the Group's current practice was in line with the clarifications issued, the adoption of these interpretations did not have any significant effect on its consolidated financial statements.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective Beginning on or after January 1, 2019

- Amendments to PFRS 9, Prepayment Features with Negative Compensation

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The amendments have no impact on the consolidated financial statements as the Group has no debt instrument with negative compensation prepayment feature.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The Group is currently assessing the impact of this amendment on the consolidated financial statements.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

- Annual Improvements to PFRSs 2015–2017 Cycle

  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, Previously Held Interest in a Joint Operation

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs*, Borrowing Costs Eligible for Capitalization

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

The Group is currently assessing the impact of the adoption of these amendments.

Effective Beginning on or after January 1, 2020

- Amendments to PFRS 3, Definition of a Business

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply to future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Definition of Material

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective Beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

Presentation of Consolidated Financial Statements
The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss (consolidated statement of income) and a second statement beginning with profit or loss and displaying components of other comprehensive income (OCI; consolidated statement of comprehensive 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 12 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 12 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 12 months after the end of the financial reporting period.

The Group classifies all other liabilities as noncurrent.

Fair Value Measurement
The Group measures financial assets at FVOCI, AFS financial assets and investment properties, at fair value at each end of the 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 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.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business at the end of the financial reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow (DCF) analysis or other valuation models.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level in the fair value hierarchy as explained above.

An analysis of the fair values of financial assets at FVOCI and investment properties and further details as to how they are measured are provided in Note 26.

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 (Prior to Adoption of PFRS 9)

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 (i.e., the date that the Parent Company commits to purchase or sell the asset).

Initial Recognition and Measurement. 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 fair value through profit or loss (FVPL).

- *Financial Assets.* Financial assets within the scope of PAS 39 are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and available-for-sale (AFS) financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

- *Financial Liabilities.* Also under PAS 39, financial liabilities are classified as financial liabilities at FVPL, derivatives designated as hedging instruments in an effective hedge, or as other financial liabilities. 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.

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

- *Loans and Receivables.* Loans and receivables are nonderivative 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 losses arising from impairment are recognized in the consolidated statement of 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 12 months from the financial reporting date or within the Parent Company's operating cycle. 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" account until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated statement of income, or determined to be impaired, at which time the cumulative loss is reclassified to consolidated statement of income 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 the consolidated statement of income over the remaining life of the investment using the EIR method. 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 consolidated statement of income.

- *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 EIR 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 EIR. 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.

  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 income (charges) - net" in the consolidated statement of income.

  Other financial liabilities are included in current liabilities if settlement is to be made within 12 months from the financial reporting date. Otherwise, these are classified as noncurrent liabilities.

Impairment of Financial Assets (Prior to Adoption of PFRS 9)

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 and the amount of the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest income" in the consolidated statement of income.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment loss was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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.

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 income.

Impairment losses on equity investments are not reversed through consolidated statement of income while increases in the 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 "Interest income" account in the consolidated statement of 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 statement of income, the impairment loss is reversed through consolidated statement of income.

Financial Instruments (Upon Adoption of PFRS 9)
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Instruments: Financial Assets

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at Amortized Cost (Debt Instruments). The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes "Cash and cash equivalents", "Receivables", and "Refundable deposits" in the consolidated statement of financial position.

Financial Assets at Fair Value through OCI (Debt Instruments). The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income is recognized in the consolidated statement of income while foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments.

Financial Assets at Fair Value through OCI (Equity Instruments). Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investments in unquoted equity securities under this category.

Impairment of Financial Assets. The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial Instruments: Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss (FVTPL), loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include "Accounts payable and accrued expenses", "Loan payable", "Dividends payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards).

Subsequent Measurement - Loans and Borrowings. This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss 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 is included as finance costs under the "Interest expense" in the consolidated statement of comprehensive income.

Derecognition of Financial Assets and Financial Liabilities (Prior to Adoption of PFRS 9)

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flow from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset 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 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 the consolidated statement of 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.

Investments in Associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Prepayments and Other Current Assets

Prepayments. Prepayments are expenses paid in advance and recorded as assets 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 consolidated statement of income when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets otherwise, these are classified as other noncurrent assets.

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

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 the consolidated statement of income 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 statement of income in the year of retirement or disposal.

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

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

Any revaluation increment is credited to the "Revaluation increment in office condominium" account in the equity section of the consolidated statement 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 the consolidated statement of income 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
Machinery and equipment	10
Transportation equipment	5
Building and building improvements	15
Office equipment, furniture and fixtures	3
Office condominium	15

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.

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 income in the year the item is derecognized.

Fully depreciated assets are retained in the accounts until they are no longer in use.

Deferred Exploration 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) or Geophysical Survey and Exploration Contract]. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

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

Impairment of Nonfinancial Assets

Deferred Exploration 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.

Investment Properties, 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 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 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 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 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.

Impairment losses are recognized in the consolidated statement of income.

Equity

Capital Stock. 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.

Additional Paid-in Capital. 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. Incremental costs that are directly attributable to the issuance of new shares are charged to this account.

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 BOD 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.

Other Comprehensive Income. Other comprehensive income 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.

Retained Earnings. The amount included in retained earnings includes cumulative profit or 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.

Basic/Diluted Loss per Share

Basic Loss per Share. Basic loss per share amounts are calculated by dividing the net loss 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 Loss per Share. Diluted loss per share amounts are calculated by dividing the net loss 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

The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Prior to 2018, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.

Interest Income. Interest income from bank deposits is recognized as it accrues using the effective interest rate method.

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

Other Income. Other income, which normally includes sale of property and equipment, is recognized as revenue when earned and received.

Expenses

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. Expenses are generally recognized when the services are used or the expense arises while interest expenses are accrued in the appropriate financial reporting date.

Retirement Benefits

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 the consolidated statement of income. 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, *Employee Benefits*, 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.

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 the consolidated statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

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

Related Party Transactions

Transactions with related parties are accounted for based on the nature and substance of the agreement, and financial effects are included in the appropriate asset, liability, income and expense accounts.

Segment Information

The Group considers investment holding and geothermal energy projects 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.

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 - net" in the consolidated statement of income under "Unrealized foreign exchange gain (loss) - net" account.

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 in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits 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 PFRSs requires management to make judgments, estimates and assumptions 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:

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.

Determination of Significant Influence over an Investee Company. The Group has 15% interest each in VEPC and VINTER, which is below the 20% threshold where significant influence is presumed under PAS 28. The Group considers its 15% investments each in VEPC and VINTER as investments in associates as it concluded that it has significant influence over the operating and financial policies of its investments in associates due to the following:

- representation in the BOD;
- participation in policy-making processes, including participation in decisions about dividends and other distributions; and
- material transactions between the investor and investee.

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

Capitalization of Exploration and Evaluation Costs. Careful judgment of management is applied when deciding whether the recognition requirements for exploration and evaluation assets relating to the Group's exploration projects 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.

Contractual Cash Flows Assessment (Applicable upon adoption of PFRS 9). Beginning January 1, 2018, for each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.
In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Evaluation of Business Model in Managing Financial Instruments (Applicable upon adoption of PFRS 9). Beginning January 1, 2018, the Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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 impairment. 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 Provision for Expected Credit Losses (Upon Adoption of PFRS 9). The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for each counterparty.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Group's receivables is disclosed in Note 27.

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.

Revaluation of Office Condominium and Investment Properties. The Group carries its investment properties at fair value with changes in fair value recognized in the consolidated statement of income, and carries its office condominium at revalued amount with changes in fair value recognized in the consolidated statement of changes in equity. The Group engaged an external appraiser to assess the fair value of its investment properties as at December 31, 2018.

For investment properties, a valuation methodology based on market approach was used, which is a comparative approach that considers the sales of similar or substitute assets and related market data and establishes a value estimate by processes involving comparison. In addition, it measures the office condominium at revalued amount, with changes in fair value being recognized in OCI. The market approach was used for the office condominium, which provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available.

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, 2018 and 2017, the Group assessed that there were no impairment indicators on its property and equipment.

Impairment of Investments in Associate. The Group determines whether there is objective evidence that the investments in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss in the consolidated statement of income.

Impairment and Write-off of Deferred Exploration Costs. The Group assesses impairment on deferred exploration costs 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 exploration costs, 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.

Estimation of Retirement Benefits. The cost of defined benefit pension plan as well as the present value of the defined benefit obligation is determined using actuarial valuation. The actuarial valuation involves making various assumptions which include the determination of the discount rates, future salary increases and mortality rates. 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.

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 and some portion of NOLCO and MCIT.

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 (DCF) 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.