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
   July 10, 2014, 2:00 p.m. DUSIT THANI HOTEL, Amaiz Avenue, Makati City
9. Approximate date on which the Information Statement is first to be sent or given to security holders
   Jun 24, 2014
10. In case of Proxy Solicitations:

    Name of Person Filing the Statement/Solicitor
    ATTY. CORAZON M. BEJASA
    Address and Telephone No.
    7/F Basic Petroleum Bldg., 104 Carlos Palanca St., Legaspi Village, Makati City

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	2,527,763,512

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

(●) Yes ( ) No

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

Philippine Stock Exchange

BASIC ENERGY CORPORATION

Basic Energy Corporation

BSC

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

Date of Stockholders' Meeting	Jul 10, 2014
Type (Annual or Special)	Annual
Time	2:00 p.m.
Venue	DUSIT THANI HOTEL, Arnaiz Avenue, Makati City
Record Date	Jun 19, 2014

Inclusive Dates of Closing of Stock Transfer Books

Start Date	Jun 19, 2014
End date	Jul 10, 2014

Other Relevant Information
See attached SEC Form 20-IS

Filed on behalf by:

Name	Angel Gahol

Designation	AVP - Asst. Corp. Sec./ Compliance Officer

COVER SHEET

3	6	3	5	9

SEC Registration Number

BASIC ENERGY CORPORATION

(Company's Full Name)

7F BASIC PETROLEUM BUILDING
104 C PALANCA ST
LEGASPI VILLAGE MAKATI CITY

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

Atty. Angel P. Gahol
(Contact Person)

8178596 -98
(Company Telephone Number)

1	2		3	1

Month *Day*
(Fiscal Year)

2	0	-	I	S

(Form Type)

0	5		3	0

Month *Day*
(Annual Meeting)

N.A.
(Secondary License Type, If Applicable)

Corporate Finance
Dept. Requiring this Doc.

N.A.
Amended Articles Number/Section

6,763 as of 3.31.14
Total No. of Stockholders

Total Amount of Borrowings

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.

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 Thursday, July 10, 2014 at 2:00 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 May 30, 2013
4. Presentation of the 2013 Annual Report
5. Ratification of All Acts of the Board and Management
6. Election of Directors
7. Appointment of External Auditors
8. Amendments to the Articles of Incorporation and By-laws
9. Other Matters
10. Adjournment

Only stockholders of record at the close of business on June 19, 2014 are entitled to notice of, and to vote at, this meeting. For this purpose, the Stock and Transfer Books of the Corporation will be closed from June 19 to July 10, 2014.

In case you cannot attend in person, please accomplish the attached Proxy Form and deliver at the office of the Corporate Secretary at the principal office of the Corporation, on or before June 30, 2014 at 3:00 p.m. Validation of proxies will be conducted on July 4, 2014 at 3:00 p.m. at the principal office of the Corporation.

Minutes of the 2013 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, May 8, 2014.

CORAZON M. BEJASA
Corporate Secretary

BASIC ENERGY CORPORATION
PROXY FORM
ANNUAL STOCKHOLDERS' MEETING
July 10, 2014 – 2:00 P.M.
Dusit Thani Hotel, Arnaiz Avenue, Makati City

The undersigned stockholder of **BASIC ENERGY CORPORATION** (the "Corporation"), hereby appoints, names and constitutes ________________________ or, in his absence, the Chairman of the Board of the Corporation, as proxy to represent and vote all shares registered in the name of the undersigned at the Annual Meeting of the stockholders of Corporation scheduled on July 10, 2014, at 2:00 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 May 29, 2013 Meeting				
2.	Notation of the 2013 Annual Report				
3.	Ratification of all acts of the Board and Management for 2013				
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				
	Eduardo V. Manalac				
	Jaime J. Martirez				
	Gabriel R. Singson, Jr.				
	Isidoro O. Tan				
	Dennis D. Decena (Independent Director)				
	Oscar S. Reyes (Independent Director)				
5.	Appointment of SGV & Co. as External Auditor				
6.	Amendment of the Articles of Incorporation to specify principal place of business				
7.	Amendment of the Bylaws to change the date of annual meetings to any day in June.				

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

Signed this ____ of _______, 2014 at ________________.

____
Signature of Stockholder
(over Printed Name)

Notes:
(a) All proxies for the meeting should be received by the Corporate Secretary on or before June 3, 2010 at 3:00 P.M.
(b) The proxy for a stockholder which is a corporation or a partnership should be executed by a duly authorized officer of the corporation or partnership and must be accompanied by a Corporate Secretary's Certificate quoting the Board or Partners' resolution or extracts thereof authorizing the said corporate officer to execute said proxy.

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

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

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. July 10, 2014 at 2:00 P.M. at the Dusit Thani Hotel, Epifanio De los Santos Avenue corner Arnaiz Avenue (Pasay Road), Makati City

   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to the security holders. June 19, 2014

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	2,527,763,512

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

    Yes ✓ No ____

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

PART I

A. GENERAL INFORMATION

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

The 2014 Annual Meeting of Stockholders of BASIC ENERGY CORPORATION (the Corporation) will be held on Thursday, July 10, 2014, at 2:00 P.M. at the Dusit Thani Hotel, Epifanio De los Santos Avenue corner Arnaiz Avenue (Pasay Road), Makati City

The complete mailing address of the principal office of the Corporation is:

7th Floor, Basic Petroleum Bldg.
104 C. Palanca Jr. St., Legaspi Village
Makati City

RECORD DATE

The record date for the purpose of determining stockholders entitled to notice of, and to vote at, the Annual Stockholders Meeting is June 19, 2014.

APPROXIMATE DATE OF RELEASE OF PROXY STATEMENT AND PROXY FORM

Date: June 24, 2014

ITEM II – DISSENTERS' RIGHT OF APPRAISAL

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

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

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

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

ITEM IV - VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

a) **Number of common shares** – 4,404,993,512 shares (inclusive of subscribed and unpaid shares), as of March 31, 2014. Each share is entitled to one vote, subject to cumulative voting, as explained below. There are no restrictions that limit the payment of dividends on common shares.

b) **Record Date** – June 19, 2014.

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

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

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

The entity known to the Registrant to be directly or indirectly the record or beneficial owner of more than 5% of the Corporation's outstanding common shares as of March 31, 2014 is:

(1) Title of Class	(2)Name & Address of Record Owner & Relationship with Issuer	(3) Name of Beneficial Ownership and Relationship with Record Owner	(4)Citizen -ship of Record Owner	(5) No. of Shares Held & Nature of Ownership (Record/Beneficial)	(6) Percentage
Common Shares	Philippine Depository and Trust Corporation* 37/F Tower I Enterprise Center Ayala Avenue, Makati City (No relationship with the Corporation)	Various Participants of PCD	Filipino	2,095,642,358 (Record)	82.90%

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

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

Five (5) PDTC participants hold more than five percent (5%) of the Corporation's total outstanding and issued common shares of stock, namely: COL Financial Group, Inc., (213,743,199 shares), King's Power Securities, Inc. (158,728,996 shares), Unicapital Securities, Inc. (150,019,276 shares), Yu & Company, Inc. (148,994,947 shares) and Accord Capital Equities Corporation (126,918,360 shares). None of the clients of said participants were reported to own more than 5% of the Corporation's total outstanding and issued common shares.

As of March 31, 2014, out of the 2,527,763,512 issued and outstanding shares of the Corporation, 2,281,477,449 shares or 90.3% are held by the public, while 2,472,163,229 shares or 97.80 % are held by Filipino citizens and 55,600,283 shares or 2.20 % are held by foreigners.

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

The following are the number of common shares known to the Corporation to be owned beneficially and/or of record by the incumbent directors and key officers of the Corporation, and the percentage of shareholdings of each, as of March 31, 2014:

DIRECTORS

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership & Relationship w/ Beneficial Owner	Citizenship	Percentage
Common	Oscar C. De Venecia	8,110,000 (direct) 9,700,000 (indirect)	Filipino	0.70%
Common	Francis C. Chua	10,000 direct) 4,999,998 (indirect)	Filipino	0.47%
Common	Ramon L. Mapa	268,635 (direct) 3,000,000 (indirect)	Filipino	0.13%
Common	Oscar L. De Venecia, Jr.	516,334 (direct) 5,200,000 (indirect)	Filipino	0.23%
Common	Ma. Florina M. Chan	10,000 (direct) 9,700,000 (indirect)	Filipino	0.38%
Common	Eduardo V. Manalac	10,000 (direct) 3,000,000 (indirect)	Filipino	0.12%
Common	Jaime J. Martirez	10,000 (direct) 10,510,000 (indirect)	Filipino	0.42%
Common	Gabriel R. Singson, Jr.	10,000 (direct) 7,500,000 (indirect)	Filipino	0.30%
Common	Isidoro O. Tan	24,822,276 (direct) 9,700,000 (indirect)	Filipino	1.37%
Common	Oscar S. Reyes	10,000 (direct) 9,700,000 (indirect)	Filipino	0.38%
Common	Dennis D. Decena	10,000 (direct) 800,000 (indirect)	Filipino	0.03%
	TOTAL	**114,597,245**		**4.53%**

EXECUTIVE OFFICERS

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

DIRECTORS AND OFFICERS AS A GROUP

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership & Relationship w/ Beneficial Owner	Citizenship	Percentage
Common	Directors as a Group	33,887,245(direct) 80,710,000(indirect)	Filipino	1.34% 3.19%
	Executive Officers as a Group	304,661(direct) 1,550,936 (indirect)	Filipino	0.01% 0.06%
	Total	**116,452,842**		**4.60%**

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
Dennis D. Decena	August 8, 2008 up to the present
Eduardo V. Manalac	September 30, 2009 up to the present
Jaime J. Martirez	October 10, 2007 up to the present
Gabriel R. Singson, Jr.	April 3, 2008 up to the present
Isidoro O. Tan	1993 up to the present
Oscar S. Reyes	April 04, 2007 up to the present

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

NOMINATION OF DIRECTORS AND INDEPENDENT DIRECTORS

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

The following are nominated as members of the Board of Directors for the term 2014-2015:

Oscar C. De Venecia
Ramon L. Mapa
Ma. Florina M. Chan
Eduardo V. Manalac
Isidoro O. Tan
Dennis D. Decena.-Independent Director
Oscar S. Reyes-Independent Director
Francis C. Chua
Oscar L. de Venecia, Jr.
Jaime J. Martirez
Gabriel R. Singson, Jr.

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

Nominee	Nominating Party	Relationship
Dennis D. Decena	Oscar C. De Venecia	none
Oscar S. Reyes	Oscar C. De Venecia	none

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

Board Committees

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

Oscar S. Reyes (Independent Director)	-	Chairman
Dennis D. Decena (Independent Director)	-	Member
Ma. Florina M. Chan	-	Member
Eduardo V. Manalac	-	Member
Jaime J. Martirez	-	Member
Gabriel R. Singson, Jr.	-	Member

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

Oscar C. De Venecia	-	Chairman
Oscar S. Reyes (Independent Director)	-	Vice Chairman
Oscar L. De Venecia, Jr.	-	Member
Ramon L. Mapa	-	Member
Dennis D. Decena (Independent Director)	-	Member

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

Oscar L. De Venecia , Jr.	-	Chairman
Francis C. Chua	-	Member
Jaime J. Martirez	-	Member
Isidoro O. Tan	-	Member
Dennis D. Decena (Independent Director)	-	Member

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

Jaime J. Martirez	-	Chairman
Ramon L. Mapa	-	Vice Chairman
Oscar L. De Venecia, Jr.	-	Member
Ma. Florina M. Chan	-	Member
Dennis D. Decena (Independent Director)	-	Member
Eduardo V.Manalac	-	Member
Gabriel R. Singson, Jr.	-	Member
Isidoro O. Tan	-	Member

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

Gabriel R. Singson, Jr.	-	Chairman
Francis C. Chua	-	Vice-Chairman
Ma. Florina M. Chan	-	Member
Jaime J. Martirez	-	Member
Dennis D. Decena (Independent Director)	-	Member

The following are the incumbent officers of the Corporation:

Oscar C. De Venecia	Chairman
Oscar L. De Venecia, Jr.	President & CEO
Marietta V. Villafuerte	VP & Treasurer
Corazon M. Bejasa	VP & Corporate Secretary
Alberto P. Morillo	VP- Operations
Angel P. Gahol	AVP-Compliance Officer/ Asst. Corporate Secretary
Gregorio Jesus Jose F. Galang II	AVP-Geology & Drilling-Operations
Peter James D. Leano V	Drilling & Logistics Manager- Operations
Margaret Louise L. Honrado	Technical Manager- Operations

BACKGROUND INFORMATION

The following are the names, ages, positions and period of service in the Corporation of the incumbent directors, who were nominated for election as directors for the term 2014-2015, and key officers of the Corporation, and their business experiences for the last five years:

1. DIRECTORS

OSCAR C. DE VENECIA, 81 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 and CEO again on February 12, 2009. He is also the Chairman of the subsidiaries of the Corporation, namely: Basic Geothermal Energy Corporation, iBasic, Inc., Basic Diversified Holdings, Inc., Southwest Resources, Inc., Basic Ecomarket Farms, Inc., Basic Biofuels Corporation, and Pan-Phil Aqua Culture Corporation.

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

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

He is a Past President of the Rotary Club of Makati West and Past District Governor of Rotary International, District 3830; Past Chairman of the Rotary Golfing Fellowship Foundation of the Philippines, Inc.; and Past Chairman, Philippine College of Rotary Governors, Inc. (1997-1998). He has received numerous awards and recognitions: Awarded Plaque of Appreciation by the Rotary Foundation as Chairman of the National PolioPlus Immunization Committee (1992-2003) when the Philippines was certified Polio Free by the WHO on October 19, 2002; Multiple Paul Harris Fellow (Multiple Pin); 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 " from The Rotary International Foundation; Awardee, "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; 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.

FRANCIS C. CHUA, 64 years old, Filipino, is a director of the Corporation since 1998, and the second Vice Chairman of the Board of the Directors and Director of the various subsidiaries of the Corporation since November, 2007. He was the Special Envoy on Trade and Investments of the Department of Foreign Affairs from June, 2007 to May 2010. He is the Honorary Trade and Investment Representative of the Department of Trade and Industry since 2002. He is also the Honorary Consulate General of the Republic of Peru in Manila, since 2006. He was a Special Adviser on Economic Affairs, Office of the Speaker of the House of Representatives, Congress of the Philippines in 1997 and member of the Board of Trustees of the Technical Education and Skills Development Authority from 2006 to 2009. He was the Chairman and President of BA Securities; President of the Philippine Satellite Corporation, and Vice-Chairman/Treasurer of Mabuhay Satellite Corporation. He is a member of the Board of Governors of the Philippine Stock Exchange. He is a director of Bank of Commerce since 2008 and a director of NGCP since 2009. For his civic affiliations, among others, he is the Honorary President of the Federation of Filipino Chinese Chambers of Commerce & Industry, past President of the Chamber of Commerce of the Philippines Foundation; and Chairman Emeritus of the Philippine Chamber of Commerce & Industry. He obtained his degree in Bachelor of Science in Industrial Engineering from the University of the Philippines, in 1967, and was conferred Doctor of Humanities, Honoris Causa from the Central Luzon State University.

RAMON L. MAPA, 69 years old, Filipino, is a director of the Corporation since 1976 and a Vice Chairman of the Board of Directors effective October, 2007 and director of the various subsidiaries of Corporation. He is presently the Treasurer of Optimum Asia Realty & Development Corporation, Director of Sta. Elena Properties, Inc., since 2002, and Director and Treasurer of Maple Agricultural Corporation, and Maple Realty Corporation since 2002. He obtained his degree in Bachelor of Arts, major in Economics from the Ateneo University in 1965 and earned MBA credits also at the Ateneo University in 1966.

OSCAR L. DE VENECIA, JR., 46 years old, Filipino, is a director and the President and CEO of the Corporation. He was the Executive Vice President & COO of the Corporation since April 04, 2007 and was appointed as President & CEO of the Corporation in August, 2011. He has served the Corporation in various executive positions, namely, as SVP and COO from June,1997 up to June, 2001 and was the President and CEO from December, 2002 up to November, 2005. He is the President of Basic Geothermal Energy Corporation, Basic Ecomarket Farms, Inc. and Basic Biofuels Corporation, the President & COO of Basic Diversified Industrial Holdings, Inc., the Chairman and President of iBasic, Inc., director of Basic Consolidated International, Inc. and President of Southwest Resources, Inc. He was the President of Forum Energy Philippines, Inc. from November 2005 to April 2007, Chairman and CEO of Blue Bamboo Solutions, Inc. from September, 2002 to December, 2005, a Consultant for Strategic Alliance Development Corporation from March, 2002 and moved as Business Development Manager of Stradcom Corporation from May to November, 2002. He was the President of the Rotary Club of Makati East for the Rotary Year 2010-2011, and is a member of the Management Association of the Philippines. He was appointed Honorary Vice Consul of the Consulate of Ukraine in the Philippines covering the Clark-Subic Economic Zone on February 18, 2011. He obtained his degree in Bachelor of Arts in Economics from Fordham University, New York City, in 1996.

MA. FLORINA M. CHAN, 58 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.

DENNIS D. DECENA, 61 years old, Filipino, is an independent director of the Corporation since August 8, 2008. He is an independent director of the Rural bank of Cavite, Inc. He was the EVP and COO of Roxaco Land Corporation from 1997 to 2008 and Treasurer of Roxas & Company from 2003 to 2008. Prior thereto, from 1976 to 1997, he held various responsible positions in the Jaka Group of Companies, Urban Bank, Union Bank, Business International (HK) Ltd., RCBC, UCPB and Far East Bank and Trust Company. He is presently an independent director of Rural Bank of Cavite, Inc. and President of the Punta Fuego Village Homeowners Association Inc. He was and still is active in various professional and civic organizations such as FINEX, the FINEX Foundation, the Rotary Club of Makati West, the Debbie Decena Memorial Educational Foundation and the Society of Industrial, Residential Commercial Realty Organization (SIRCRO). He obtained his degree in Bachelor of Arts in Economics Honors (Cum Laude) from the Ateneo de Manila University in 1974 and his Master's Degree in Business Administration from the University of the Philippines in 1976. He was a Postgraduate Fellow of the Fletcher School of Law and Diplomacy, TUFTS University, in Massachusetts, U.S.A. as a Hubert H. Humphrey Fellow where he obtained his postgraduate certificate in International Business in 1989.

EDUARDO V. MAÑALAC, 67 years old, Filipino, has been a director of the Corporation and its subsidiaries since October, 2009. He is currently President of TransEnergy International Limited, and non-executive Director for the Australian company, NIDO Petroleum Limited. From 2003 to late 2004, Mr. Mañalac was Undersecretary of the Department of Energy (DOE) of the Philippines, where, among other achievements, he promoted the standardization and use of coconut biodiesel, which highlighted the DOE's participation in developing the "Biofuels Law." He instituted a transparent new system for the awarding of oil service contracts, that led to the First Philippine Contracting Round in 2003. He was appointed President and CEO of the Philippine National Oil Company (PNOC) on August, 30, 2004, President and CEO of the PNOC Exploration Corporation (PNOC-EC) in September, 2004, and subsequently Chairman of the PNOC Energy Development Corporation (PNOC-EDC) within the same time period. Mr. Mañalac also initiated international cooperative meetings that led to the historic signing of the Tripartite Agreement for a Joint Marine Seismic Undertaking in the South China Sea between the Philippines (PNOC), China (China National Offshore Oil Corporation), and Vietnam (Petrovietnam).

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

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

JAIME J. MARTIREZ, 59 years old, Filipino, is a director of the Corporation and its subsidiaries since October, 2007. He is the President & CEO of Unicapital Finance and Investments, Inc., Managing Director and Treasurer of Unicapital, Inc., Treasurer and Director of Unicapital Securities, Inc., Chairman, and President & CEO of Unoventure, Inc., a PEZA registered enterprise facilities provider. He is the Chairman of the Executive Committee of the Unicapital Group of Companies. He holds other director positions- in Majalco, Inc., a diversified holding corporation, Malayan Savings Bank, CCC Insurance Corporation, and Insular Rural Bank, a Las Pinas based rural bank. He is also a director of the Philippine Finance Association, and is a member of the Makati Business Club. He has acquired and developed professional expertise in the field of Investment Banking for the last 26 years, since 1976. He obtained his degree in Bachelor of Science in Management from De La Salle University in 1975 and is a candidate for a Masters degree in Business Administration from the Ateneo de Manila University Graduate School in 1979.

OSCAR S. REYES, 67 years old, Filipino, and a director of the Corporation and its subsidiaries since June, 2007. He is presently the President and Chief Executive Officer of the Manila Electric Corporation. Among his other positions are: Chairman of Redondo Peninsula Energy Inc., Meralco Industrial Engineering Services, Inc., Meralco Energy, Inc., CIS Bayad Center, Inc., Pepsi Cola Products, Inc. and Link Edge Inc.; Member of the Board of Directors of Philippine Long Distance Telephone Company (Advisory Board), Smart Communications Inc., and Bank of the Philippine Islands; Independent Director of Ayala Land, Inc., Manila Water Co., Alcorn Gold Resources Corporation, Sun Life Financial Plans, Inc., Sun Life Prosperity Funds, Grepalife Asset Management Corporation, Petrolift Inc., and Eramen Minerals Inc., among other firms. Prior to these posts, he served the Shell Companies in the Philippines in various capacities, including Country Chairman and concurrently President of Pilipinas Shell Petroleum Corporation, and Managing Director of Shell Philippines Exploration B.V. He is a Member of the Board of Trustees of One Meralco Foundation, Pilipinas Shell Foundation, Inc., SGV Foundation, and El Nido Foundation, Inc. He finished his BA, Major in Economics (Cum Laude) at the Ateneo de Manila University in 1965. He took post-graduate studies at the Ateneo Graduate School of Business, Waterloo Lutheran University and the Harvard Business School.

GABRIEL R. SINGSON, JR., 48 years old, Filipino, is a Director of the Corporation and its subsidiaries since April 3, 2008. He is presently a director of SR Capital Holdings, Inc. He was formerly the Undersecretary of the Department of Finance for Privatization in 2005-2006 and prior thereto, he was the Chairman of SR Capital Holdings, Inc. from 2000 to 2005, the Vice Chairman of Pilipino Cable Corporation from 1998 to 2004 and the President of Telemondial Holdings, Inc. from 1997 to 2004. He was the Chief Financial Officer of Macondray & Co., Inc. from 1990 to 1996, then Chief Operating Officer thereof from 1996 to 1999, and a director of Del Monte Philippines from 1996 to 1999. He obtained his degree in Business Management from the Ateneo de Manila University in 1986, graduating Magna Cum Laude and Master in Business Administration- Finance from the Wharton School, University of Pennsylvania in 1989.

ISIDORO O. TAN, 65 years old, Filipino, is a director of the Corporation and its subsidiaries. since 1993 He is also the President & Director of Filspin, Inc. for the last six (6) years. He obtained his degree in Bachelor of Science in Industrial Engineering at the Adamson University in 1969.

2. OFFICERS

CORAZON M. BEJASA, 66 years old, Filipino, is the Corporate Secretary of the Corporation with the rank of Vice President since July 12, 2007. She was Head, Legal and Human Resources of ValueGen Insurance Corporation and Banclife Insurance Corporation from 2002 to 2006. Earlier, she was Corporate Secretary and Senior Vice President for Support Services and occupied various department head positions for legal, human resources, credit, administration, mortgage banking and consumer banking at Urban Bank from 1983 to 2000. She was also employed as legal research officer then legal executive assistant at the Central Bank of the Philippines from 1974 to 1983 and Assistant to the Secretary of the Monetary Board in 1991, and as legal researcher at the Supreme Court of the Philippines from 1972 to 1974. She obtained her Bachelor of Laws from the University of Santo Tomas, Magna Cum Laude, in 1972 and was 8th Place in 1972 Bar Examinations.

ALBERTO P. MORILLO, 58 years old, Filipino, is the Vice-President for Petroleum Operations since 2007. He first joined the Corporation in July 1987 as Geologist and became Vice President in 1989 until 1997. He continued serving the Corporation as a Consultant from 1997 and was rehired as Vice President for Petroleum Operations in 2007. Prior to re-joining the Corporation, he was Vice President for Exploration of Forum Exploration, Inc. from 1997 to 1999. His earlier work included stints as Geologist in various exploration and mining companies including PNOC – Exploration Corporation, Semirara Coal Corporation and Jasra Kutei Basin Ltd. in Indonesia, among others. He is also concurrently a Director of First Exploration and Development Services, a technical consultancy firm. He obtained his Bachelor of Science degree in Geology from the University of the Philippines in 1978, and has earned MBA units from the Ateneo de Manila University. He has taken the Management Development Program from the Asian Institute of Management in 1994, and an MS in Computer Science (pending thesis) from the AMA Computer College in 2001.

MARIETTA V. VILLAFUERTE, 67 years old, Filipino, is the Treasurer of the Corporation with rank of Vice President since March 16, 2009. She was Vice-President for Finance of the Corporation from January, 2008 to March 15, 2009. She was the Senior Vice President & Comptroller of PentaCapital Finance Corporation, with whom she was employed as Comptroller since September, 1993. Previous to that, she assumed various positions in General Credit Corporation (which subsequently became PentaCapital) as Personnel Manager, Credit Manager and then Comptroller. She is a Certified Public Accountant, and obtained her degree in Bachelor of Science in Business Administration, Major in Accounting, from the University of the Philippines, in 1968.

ANGEL P. GAHOL, 60 years old, Filipino, is the Assistant Vice President- Legal Department of the Corporation since August 15, 2006. He is the Assistant Corporate Secretary and Compliance Officer of the Corporation. He has been the Legal and Human Resources Manager of the PHINMA's industrial estate, Bacnotan Industrial Park Corporation,.and Bacnotan Steel Industries, Inc. from 1997 to 2002 and of the mini-steel mill plant project located in Calaca, Batangas as HRD Manager on a concurrent basis. He has been with Bacnotan Consolidated Industries, Inc. for eight years as Legal Assistant and with PHINMA's Legal Department for more than seven years as Assistant Legal Counsel. He obtained his degree in Bachelor of Arts, major in Economics, from the University of Santo Tomas in 1973 and his degree in Bachelor of Laws from the same university in 1979.

GREGORIO JESUS JOSE F. GALANG II, 36 years old, Filipino, is the Assistant Vice President for Geology and Drilling-Operations Department of the Corporation since January 2, 2014. He was the Senior Manager/Supervising Geologist of Consolidated Mines Inc. and First State Mining Resources Corporation from July 2009 to October 2013. He has been the

Exploration Geologist of PNOC Exploration Corporation from October 2005 to February 2009. He was the Drilling Supervisor of Radian Consulting, Inc. for Maynilad Water Services, Inc. from February 2005 to October 2005. He obtained his degree in Bachelor of Science major in Geology at the University of the Philippines in 1993 and with units in Master of Science in Geomatics Engineering in 2000.

PETER JAMES D. LEANO V, 38 years old, Filipino, is the Drilling and Logistics Manager – Operations Department of the Corporation since March 3, 2014. He is the Managing Partner of Geo-Exploration Services Company engaged in exploration drilling projects of mining and cement companies. He was the General Manager of Primo Asia Mining and Drilling, Inc.- Philippines. Previous to that, he was a Training Consultant for the Philippine Human Rights Information Center, Philippines and that of the Office of the Presidential Adviser on Food Security. He is a graduate of Business Administration in Development Studies from the University of the Philippines , in 1997.

MARGARET LOUISE L. HONORADO, 30 years old, Filipino, is the Technical Manager-Operations Department of the Corporation. She was the Team Leader and Technical Assistant of PNOC Renewable Corporation (PNOC-RC) from 2011-2013, handling geological work and technical reports of the various projects of PNOC-RC. She was a Lecturer on environmental science at the Ateneo de Manila University from 2010 to 2011 and as a Project Research Associate in January 2010-May 2010 and University Research Associate in 2006-2009 of the National Institute of Geological Science of the University of the Philippines. She obtained her Bachelor of Science major in Physics at the University of the Philippines in 2005 and delivered her thesis in Master of Science in Geology in 2006.

SIGNIFICANT EMPLOYEES

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

FAMILY RELATIONSHIPS

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

INVOLVEMENT IN ANY LEGAL PROCEEDINGS

The Corporation is not aware of any bankruptcy proceedings filed against any of its directors or executive officers, nor of any criminal conviction or final judgment barring or limiting any business involvement or any order, judgment or decree subjecting said directors or executive officers, or a violation of a securities or commodities law or regulation filed against any of its directors or executive officers, during the past five (5) years up to March 31, 2014.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In April, 2012, Dra. Teresita De Venecia, a fourth degree relative (cousin-in-law) of the Chairman, assigned her rights in certain properties registered in the name of Pan Phil Aqua

Culture Corporation located in San Fabian, Pangasinan with an aggregate lot area of 185,081 square meters, to the extent of 2.3% interest, for a consideration of Php 1.5 Million.

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

ITEM VI – COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

NAME/POSITION	FISCAL YEAR	SALARIES	BONUSES	OTHER COMPENSATION
Oscar C. De Venecia Chairman & CEO **Oscar L. de Venecia, Jr.** President & COO **Marietta V. Villafuerte** VP-Treasurer **Corazon M. Bejasa** VP & Corporate Secretary **Alberto P. Morillo** VP-Operations				
Total	*2014*	8,929,200 (estimated)	744,100 (estimated)	0
	2013	9,318,971	744,100	0
	2012	9,051,022	2,845,920	0
All Other Officers as a Group Unnamed	*2014*	*1,638,000 (estimated)*	136,500 (estimated)	0
	2013	1,076,584	73,500	0
	2012	*1,727,927*	575,960	0

The Directors of the Corporation do not receive compensation from the Corporation, except per diems for attendance at Board and Committee Meetings at Php11,000.00 and Php5,500.00 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 December 31, 2013, 85,270,000 shares have been paid and listed in the Philippine Stock Exchange.

There are no other 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.

ITEM VII. INDEPENDENT AUDITORS

Sycip, Gorres, Velayo & Co. (SGV) was the Corporation's independent auditors for the year 2013. The same auditing firm is being recommended for appointment as the Corporation's external auditor for the year 2014 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, 2013 included the examination of the books and consolidated financial statements of the Corporation, assistance in the preparation of the Corporation's final income tax returns and other services related to filing of reports made with the Securities and Exchange Commission. The audit fees for 2012 and 2013 were Php740,000.00 and Php775,000.00, respectively. The audit fee for 2012 was fully paid on May 14, 2013, while for the audit fees for 2013, the amount of Php600,000.00 had already been paid.

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

Upon recommendation of the Audit Committee and the Board of Directors, SGV will be recommended as the external auditor who will conduct the audit of the Corporation for the fiscal year 2014, subject to approval by the stockholders. In compliance with SRC Rule 68, paragraph

3(b)(iv) (Rotation of External Auditors), a new partner-in-charge, Mr. Jaime F. del Rosario, was assigned beginning with the 2013 audited financial statements.

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

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

ITEM IX - 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 X - FINANCIAL AND OTHER INFORMATION

(a) 2013 Audited Financial Statements

The 2013 financial statements of the Corporation were audited by the Corporation's external auditors:

SGV & Company
Mailing Address: SGV Building, 6760 Ayala Avenue, Makati City 1226
Certifying Partner: Jaime F. Del Rosario
C.P.A. No. 56915
PTR No. 4225164 issued on January 2, 2014

The Consolidated Audited Financial Statements of the Corporation as of December 31, 2013 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 2013 audited financial statements of the Corporation.

The accounting policies adopted are consistent with those of the previous financial reporting year, except for certain standards and amendments that require restatement of the previous consolidated financial statements and changes in accounting disclosures:

1) Philippine Accounting Standards (PAS) 19, *Employee Benefits* (Revised 2011)

For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in the Other Comprehensive Income (OCI) account, and unvested past service costs previously recognized over the average vesting period are to be recognized immediately in profit or loss when incurred. The Corporation adopted the revised standards retrospectively.

2) PFRS 13, *Fair Value Measurement*

PFRS establishes a single source of guidance for all fair value measurements. The Corporation re-assessed its policies for measuring fair values and assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Corporation.

3) Amendments to PAS 1, *Presentation of Financial Statements- Presentation of Items of OCI* .

The amendments to PAS 1 introduced a grouping of items presented in OCI. The amendments affect presentation only and have no impact on the Corporation's financial position or performance.

Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Corporation, as follows:

i) PFRS 7, *Financial Instruments: Disclosures-Offsetting Financial Assets and Financial Liabilities* (Amendments)- The Corporation does not have relevant off-setting arrangements.
ii) PFRS 10, *Consolidated Financial Statements*, replaced the portion of PAS 27, Consolidated and Separate Financial Statements. The Corporation adopted PFRS 10 in the current year.
iii) PFRS 11, *Joint Arrangements*, replaced PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-Controlled Entities – Non-monetary Contributions by Venturers.*
iv) PFRS 12, *Disclosure of Interests with Other Entities.* The Corporation has no unconsolidated structured entities.
v) PFRS 13, *Fair Value Measurement- Additional disclosures*
vi) Additional Amendments to PAS 19, *Employee Benefits*
vii) Annual Improvements to PFRSs (2011-2013 cycle) – contain non-urgent but necessary amendments to the following standards, which, however, have no impact on the Corporation's financial position or performance:
   a. PFRS 1, *First-time Adoption of Philippine Financial reporting Standards- meaning of "Effective PFRSs"* – This amendment is not applicable as the Corporation is not a first-time adopter of PFRS.
   b. PFRS 3, *Business Combinations- Scope of Exceptions for Joint Arrangements-* The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.
   c. PFRS 13, *Fair Value Measurements- Portfolio Expansion-* The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.
   d. PAS 40, *Investment Property* The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

The above changes were disclosed in the Consolidated Audited Financial Statements of the Corporation as of December 31, 2013, attached as part of this Information Statement.

(c) Participation of Representatives of External Auditors

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

(d) Incorporation by Reference

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

(1) Notice of Annual Stockholders Meeting and Proxy Form;
(2) 2013 Management Report
(3) Consolidated Audited Financial Statements of the Corporation as of December 31, 2013; and
(4) SEC Form 17-Q covering the Interim Financial Statements of the Corporation as of March 31, 2014.

ITEM XI - 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 XII – 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 XIII - 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 XIV – ACTION WITH RESPECT TO REPORTS

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

(a) Approval of the Minutes of the 2013 Annual Stockholders' Meeting held on May 29, 2013.

The Minutes contain the following:

- Approval of the Minutes of the 2012 Stockholders' Meeting.
- Notation of the 2012 Management Report and the 2012 Audited Financial Statements.
- Ratification of all acts done by the Board of Directors and Management for the term 2012-2013.

- Election of the Directors of the Corporation for the term 2013-2014; and
- Appointment of SGV & Co. as the external auditor for the fiscal year 2013; and

(b) Notation of the 2013 Management Report and the Audited Consolidated Financial Statements for the year ending December 31, 2013.

- Ratification of all acts of the Board of Directors and Management for the period covering the term 2013-2014, a list of which shall be furnished to all stockholders of the Corporation at the annual meeting of stockholders.

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

(d) Appointment of External Auditors for the fiscal year 2014;

(e) Amendment of the Third Article of the Amended Articles of Incorporation of the Corporation so as to specify the complete address of the Corporation as required under SEC Memorandum Circular No. 6 , series of 2014; and

(f) Amendment of Section 1, Article 1 of the Amended By-Laws of the Corporation so as to change the date of annual meetings of stockholders from any day in May to any day in June.

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

The proposed amendment to the Third Article of the Amended Articles of Incorporation on the principal place of business and Section 1 of Article 1 of the Amended By-Laws on the date of the annual meetings of stockholders shall be submitted for approval of the stockholders at the annual meeting of stockholders of the Corporation.

ITEM XVII - OTHER PROPOSED ACTIONS

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

ITEM XVIII - VOTING PROCEDURES

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

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

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

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

(c) <u>**METHOD OF COUNTING VOTES**</u>

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

ATTACHMENTS

The attachments to this Information Statement consist of the Proxy Form, the Corporation's 2013 Management Report, the 2013 Consolidated Audited Financial Statements of the Corporation and SEC Form 17-Q covering the Interim Financial Statements of the Corporation as of March 31, 2014.

The Corporation will provide without charge each person solicited, on the written requirement of any such person, a copy of the Corporation's Annual Report for 2013 (SEC Form 17-A). Such written request should be directed to the:

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

Copies of resolutions of the Board of Directors, since the 2013 Annual Stockholders' Meeting, are available for examination during office hours at the office of the Corporate Secretary.

<u>PART II</u>

<u>SOLICITATION INFORMATION</u>

ITEM I - IDENTIFICATION

BASIC ENERGY CORPORATION, IN ITS BEHALF, IS SOLICITNG PROXIES IN CONNECTION WITH ITS ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JULY 10, 2014 at 2:00 P.M. AT THE DUSIT THANI HOTEL, MAKATI CITY.

ITEM II - INSTRUCTIONS

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

b) The proxy for a stockholder which is a corporation or a partnership should be executed by a duly authorized officer of the corporation or partnership and must be accompanied by a Corporate Secretary's Certificate quoting the Board or Partners' resolution or extracts thereof authorizing the said corporate officer to execute said proxy.
c) Executors, administrators, receivers and other legal representatives duly appointed by the court may attend and vote on behalf of the stockholders, without need of any written proxy, provided a copy of the court appointment shall be presented to the Corporate Secretary of the Corporation.
d) The proxy form for shares of stock owned jointly shall be signed by all owners and for shares owned in an "and/or" capacity, by any one of the owners.
e) Proxy form executed abroad shall be duly authenticated by the Philippine embassy or consular office in that state or country.
f) Proxies should be submitted to the Corporate Secretary of the Corporation on or before 3:00 P.M. of June 30, 2014.
g) The Committee of Inspectors designated by the Board of Directors shall validate the proxies on July 4, 2014 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 normal costs of such services and mailing, estimated at about Php 300,000.00 and will be shouldered by the Corporation.

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

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

PART III

SIGNATURES

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

Signed on May 9, 2014, at Makati City.

OSCAR L. DE VENECIA, JR.
President & CEO

MARIETTA V. VILLAFUERTE
Treasurer

CORAZON M. BEJASA
Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTOR

I, DENNIS D. DECENA, of legal age and a resident of 3 Panay Street, Philam Village, Las Pinas City, after having duly sworn in accordance with law, declare that:

1. I am an Independent Director of Basic Energy Corporation;

2. I had been an Independent Director of the Rural Bank of Cavite, Inc., from 2009 up to ~~June~~ May 2013;

3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of Basic Energy as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations;

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code; and

5. I shall inform the Corporate Secretary of Basic Energy Corporation of any change in the above-mentioned information within five (5) days from its occurrence.

30 APR , 2014, Makati City.

DENNIS D. DECENA
Affiant

SUBSCRIBED AND SWORN to before me this MAY 09 2014 day of ___ 2014, affiant exhibiting to me his Tax Identification No. 110-179-495.

NOTARY PUBLIC
MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31
Appt. No. M-63(2014-2015)
MCLE Compliance
PTR No.
IBP Lifetime Member

Doc. No. 195
Page No. 40
Book No. X
Series of 2014.

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am an independent director of **Basic Energy Corporation,**

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

Company/Organization	Position/Relationship	Period of Service
Bank of the Philippines Islands	Director	2003-present
Ayala Land, Inc.	Independent Director	2009-present
Manila Water Co.	Independent Director	2005-present
Philippine Long Distance Telephone Company	Director Member, Advisory Board	2001-2010 2010-present
PLDT Communications and Energy Ventures Inc.	Director	2013-present
Manila Electric Co.	President & CEO /Director	2010-present
Sun Life of Financial Plans, Inc.	Independent Director	2006-present
Sun Life Prosperity Funds	Independent Director	2003-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
Pepsi Cola Products Philippines, Inc.	Independent Director/ Chairman	2007-2011/ 2012
Petrolift Inc.	Independent Director	2007-present
Link Edge Inc.	Chairman	2002-present
Eramen Minerals Inc.	Independent Director	2004-present
Cosco Capial Inc..	Independent Director	2009-present
Redondo Peninsula Energy Inc.	Chairman	2011-present
Meralco Industrial Engineering Services Inc.	Chairman	2010-present
Meralco Energy, Inc.	Chairman	2010-present
CIS Bayad Center, Inc.	Chairman	2010-present
PacificLight Power Pte. Ltd.	Chairman	2013-present
Meralco Powergen Corporation	President/Director	2010-present
Calamba Aero Power Corporation	Director	2011-present
Republic Surety & Insurance Co., Inc.	Director	2010-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the **Basic Energy Corporation** as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations;

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code;

5. I shall inform the corporate secretary of **Basic Energy Corporation** of any changes in the abovementioned information within five days of its occurrence.

Done this ____ day of 30 APR 2014 2014 at Makati City.

OSCAR S. REYES
Affiant

MAY 09 2014

SUBSCRIBED AND SWORN to before me this ____ day of __________ 2014 ~~at~~ ________________, affiant exhibited to me his Passport No. EB8380979 issued in Manila, valid until 12 June 2018.

Doc. No. 196;
Page No. 11;
Book No. X;
Series of 2014.

BASIC ENERGY
CORPORATION

2013 MANAGEMENT REPORT

BUSINESS AND GENERAL INFORMATION
PART I. 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 holds equity investments in the following wholly owned subsidiaries: Basic Diversified Industrial Holdings, Inc., an investment holding company, iBasic, Inc., an information technology management company and service integrator, Basic Biofuels Corporation, which is into the development of biofuels, Basic Ecomarket Farms, Inc., which is into agriculture, focusing initially on cassava development, and Basic Geothermal Energy Corporation, which is into geothermal energy development, and in Southwest Resources, Inc., an oil exploration company, which is owned 72.58% by the Company, and in Grandway Group Limited, a Hong Kong registered company, which is the joint venture company with Petrosolve Bhd Sdn (Malaysia), with the Company holding a 70% equity interest.

On the Company's oil and gas business, the Company is a party, together with other oil exploration companies, in the exploration, development and production in areas under Service Contract 47 in offshore Mindoro and 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 has been awarded by the Department of Energy a total of five (5) service contracts for the exploration and development of geothermal energy, namely: GSC No. 8 at Mabini, Batangas, which was awarded in 2007, and GSC No. 2013-02-042 at Mariveles, Bataan, GSC No. 2013-02-041 at East Mankayan, Benguet, Mountain Province and Ifugao, GSC No. 2013-02-043 at Iriga, Camarines Sur and Albay and GSC No. 2013 -11-048 at West Bulusan, Sorsogon, which were awarded in 2013.

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

The Company was recently 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 continues to look at business opportunities for the development of renewable energy, as it pursues its core business in oil and gas exploration and development.

(2) Business of the Company and its Subsidiaries

Oil and Gas Operations

The Company is involved in oil exploration and development activities in the areas covered under Service Contract 47 in offshore Mindoro and Service Contract 53 in onshore Mindoro. These service contracts were 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 47 (Offshore Mindoro)

Service Contract 47 (SC 47) was awarded by the Department of Energy on January 10, 2005 to PNOC EC and Petronas Carigali (Petronas). Upon Petronas' withdrawal in January 2008, PNOC-EC interest became 97% with Petroenergy at 2% and the Company at 1%.

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

In 2009, the Company along with its partners, continued exploration efforts in this service contract. The Department of Energy approved the seismic program commitment under sub-phase 2 (January 2008 to January 2010). The 2D seismic survey was carried out by CGG Veritas from August 19-29, 2009 covering a total of 1,091.6 kms at a cost of US $ 637,416.67. On August 14, 2009, the DOE approved the relinquishment of 25% of the original area of the service contract, reducing the area to 1,098,000 hectares, where the islands of Caluya, Sibay and Semirara were retained.

Previous work programs involved the processing and interpretation of the seismic data which have resulted in the identification of some leads and prospects and the conduct of the technical evaluation of data acquired from the seismic program. Early this year, PNOC-EC requested the Department of Energy for the approval of its proposed work program for Sub-Phase 3 to cover a period of three (3) years and which will involve a 2-year geological and geophysical work and the drilling of one exploration well on the third and final year. Estimated cost for this program is USD70.0 Million. The Company has a 1% interest in this service contract.

Service Contract 53 (Onshore Mindoro)

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

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

On July 11, 2011, Resource Management Associates Pty Limited of Australia signed a Farm In Agreement with Pitkin Petroleum to acquire 35% from its 70% participating interest. In November 11, 2011, Pitkin Petroleum reported that Sub-Phase 1, which was to end March 6, 2012, was fulfilled with the completion of the 200 kilometers of seismic data. Sub-Phase 2 which carries a minimum work obligation of 2 wells and a financial commitment of US$2.0 million, have been extended up to the resolution of the complaint filed by Famatodi, Inc., an organization of indigenous peoples in Mindoro and the issuance of the Certificate of Precondition by the National Commission of Indigenous Peoples.

The consortium agreed to drill Progreso-2 to fulfil one of the 2 well obligations and the planned geology and geophysical works will be negotiated as fulfilment of the second well. For this phase, the approved firm budget amounts to US$ 8.42MM and the contingent budget amounts to US$ 6.14MM. Preparations are on-going for the drilling of Progreso-2, with a target spud date in October, 2014. The Company has a 3% participation in this service contract.

Indonesia Oil Project

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

PT Basic Energi Solusi acquired the rights to manage ten (10) wells in the area, with the objective of rehabilitating these wells for possible limited oil production. Drilling operations are on-going to target maximum depths of 390 to 400 meters. The Company has budgeted for 2014 US Dollars 2.5 Million for this project.

Geothermal Energy

The Company is likewise involved in the exploration, development and production of geothermal energy. It has been awarded service contracts for various areas by the Department of Energy, which prescribes the periods and programs for these service contracts, pursuant to Presidential Decree No. 87 for the Mabini Geothermal Service Contract and pursuant to R.A. 9513 (Renewable Energy Act of 2008) for the subsequent 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 2015, subdivided in 3 Phases. Sub Phase 1 (Years 1 and 2) and sub phase 2 (Year 3) minimum work commitments include geological, geophysical and geochemical works that are designed to identify a drilling location and assess the geothermal potential of the contract area. The Company has the option to drill a well or return the Service Contract to the Department of Energy in case there is no technical justification to drill a well.

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

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

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

For this service contract, the work program is currently on Sub-Phase 3 which involves the drilling of one (1) exploratory well by 2015. Estimated costs for this work program is Php166 Million. Trans-Asia Energy Corporation has committed to a 10% participating interest in this project, with an option to increase up to 40% participating interest, subject to the results of a gravity survey which it will undertake. Discussions are on-going with prospective drilling contractors and project management service providers.

New Geothermal Service Contracts

The Company was also awarded the service contracts from the Department of Energy, covering four (4) geothermal projects, namely: Iriga Geothermal Power Project, Mariveles Geothermal Power Project , the East Mankayan Geothermal Power Project and the West Bulusan Geothermal Power Project, all carrying a maximum exploration period of 5 years. For the first year program, these projects are undergoing evaluation of existing data, permitting and coordination with the local government units involved. Estimated costs for the first year work programs for these service contracts is Php7.7 Million.

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 currently being undertaken by the Company.

Hydro-Power Energy

The Company is likewise involved in the exploration, development and production of hydro-power energy. It has been awarded service contracts for the following areas by the Department of Energy, which prescribes the periods and programs for these service contracts, pursuant to R.A. 9513 (Renewable Energy Act of 2008).

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

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

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

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

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

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

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

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

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

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

(3) Employees

The Company has presently twenty (20) officers and employees, eight (8) are executive officers, eight (8) are assigned as accounting, administrative and support staff and four (4) are assigned as service staff. The Company expects to hire additional personnel and/or engage the services of consultants in 2014 as project managers, engineers and other technical staff which may be needed for its existing projects or when the Company decides to pursue additional energy 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 aggregate area of 415,895.80 square meters. The property is located approximately 4.3 kilometers southwest from the Bolinao-Bani Provincial Road and is best suited for agro-industrial land development.

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

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

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

For 2014, the Company or its subsidiaries do not have any plan to own additional lands for its various projects.

(C) Legal Proceedings

1. On April 3, 2006, the Company entered into a Sale and Purchase Agreement (SPA) covering the sale of the entire interest in its wholly owned subsidiary, Basic Petroleum & Minerals, Inc. (BPMI) to Forum Energy PLC (FEP), for a total consideration of US$ 17,000,000.00. Of this amount, US$ 5,000,000 was in cash and FEP shares and US$12,000,000 was payable upon FEP's utilization of the historical cost recoveries of BPMI and upon oil production by FEP in excess of 5,420,000 barrels. By April, 2007, the Company received full payment and delivery of the first tranche of US$ 5,000,000.00. The amount of US$ 10,000,000.00 was due upon FEP's utilization of the historical cost recovery accounts of BPMI and the amount of US$2,000,000 was due, in staggered basis, upon production of 5,240,000 barrels of oil in the service contracts that are part of the sale of BPMI. In 2008, the Company declared FEP in default and the receivables of the Company from FEP were the subject of arbitration proceedings between the Company and FEP. On June 14, 2012, the Ad-Hoc Arbitration Tribunal rendered its decision in favor of the Company and awarded payment by Forum of the balance of the share of the Company in the historical cost recoveries received by Forum on the oil assets sold to Forum under the SPA. Subsequently, the parties entered into a Compromise Agreement covering settlement of the aforementioned award by the Ad-Hoc Arbitration Tribunal in favor of the Company and other claims under the SPA. Under the agreement, Forum will pay the Company an aggregate amount of USD 4.4 Million. As of December 31, 2013, FEP had settled all its obligations to the Company.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATION

(1) Plan of Operation for 2014

Oil and Gas Operations

For 2014, the Company will continue with its business in oil and gas exploration operations, as a party, together with other oil exploration companies, in the contract areas situated in offshore Mindoro (Service Contract 53) and onshore Mindoro (Service Contract 47).

In Service Contract 47, the consortium has requested the Department of Energy for the approval of a proposed work program for Sub-Phase 3 to cover a period of three (3) years, consisting of 2 years for geological and geophysical works and the drilling of one (1) exploration well on the third and final year. The Company has a 1% participation in this service contract.

In Service Contract 53, the consortium has agreed to drill Progreso-2 to fulfil one of the 2 well obligations under the Sub-Phase 3 program. Preparations are on-going for the drilling works and target spud date is in October, 2014. The Company has a 3% participation in this service contract.

The Company, through its subsidiary, Grandway Group Limited, shall pursue management of the ten (10) oil wells in Central Java, Indonesia, and continues to look for opportunities in the management and operation of oil wells in other parts of Indonesia.

The Company's cash requirements for the operations of its oil and gas business in the Philippines and Indonesia, for the whole year of 2014 is budgeted at a total of Php124.9 Million, which will be adequately funded by its cash and short-term investments. There is no need for the Company at this time to raise additional funds for its existing oil and gas projects. There are plans to increase the present manpower staff or engage the services of consultants when needed for the technical support requirements and acquire additional computer equipment for these projects.

Geothermal Energy Operations

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

The Company's cash requirements for the operations of its geothermal energy exploration business for the whole year of 2014 is budgeted at about Php111.7 Million, which will be adequately funded by its cash and short-term investments. There is no need for the Company to raise additional funds for its existing geothermal energy projects. There are plans to increase its present manpower staff or engage the services of consultants when needed for the technical requirements and acquire additional computer equipment for these projects.

Hydro-Power Energy Operations

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

The Company's cash requirements for the operations of its hydro-power energy exploration business for the whole year of 2014 is budgeted at about Php2.6 Million, which will be adequately funded by its cash and short-term investments. There is no need for the Company to raise additional funds for its hydropower 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.

(1) Management's Discussion and Analysis of Financial Condition and Results of Operations for 2013

(a) Full Fiscal Years (Three Years)

2013

For 2013, total assets of the Company stood at Php 854.463 million, an increase of Php 8.320 million compared to the restated balance in 2012 of Php 846.143 million (Please see Note below). Current assets totaling Php 85.251 million in 2013 were mainly in cash and cash equivalents amounting to Php 80.543 million. Currents assets decreased by Php 172.277 million due to additional investments in higher yielding and longer term securities and also because of additional expenditures for various projects. The decrease in current assets however was offset by the increase in non-current assets amounting to Php 180.597 million as accounted for mainly by the increases in available for sale (AFS) securities amounting to Php 145.557 million and deferred charges amounting to Php 40.350 million.
Total liabilities closed at Php 16.722 million in 2013 increasing by Php 4.143 million from the balance in 2012 of Php 12.579 million mainly because of the increase in deferred income tax liabilities due to unrealized foreign exchange gain in AFS and fair value adjustments of investment properties.

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

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

Cost and expenses in 2013 totaled Php 50.531 million all in general and administrative expenses. Compared to 2012, total cost and expenses were less by Php 7.260 million because in 2012, the Company booked provisions for impairment on AFS investments amounting to Php 3.188 million and foreign exchange losses of Php 5.219 million.

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

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

2012

For 2012, total assets of the Company stood at Php 846.143 million, or an increase of Php 277.310 million compared to the balance of 2011 of Php 568.833 million (Please see Note below). Current assets were mainly in cash and cash equivalents amounting to Php 202.437 million and receivables amounting to Php 45.451 million. Non-current assets were recorded at Php 588.615 million, which significantly increased by Php 342.850 million compared to the balance of 2011 amounting to Php 245.765 million. The significant increases were mainly in Available for Sale (AFS) financial assets recorded at Php 305.868 million due to increases in investments and fair value adjustments, Investment Properties amounting to Php 193.479 million, the increase likewise due to fair value adjustment, and Property and Equipment recorded at Php 24.371 million at revalued amount.

Total Liabilities closed at Php 12.579 million in 2012, recording an increase of Php 0.398 million compared to the balance of 2011 mainly due to additional accruals for deferred income tax liabilities due to the revaluation increases of certain assets and accruals for retirement benefits.

Stockholders' Equity closed at Php 833.565 million in 2012 increasing by Php by Php 277.709 million compared to the balance of 2011 of Php 555.856 million. The increase was mainly due to the net income generated for the year amounting to Php 245.539 million.

For the year ended December 31, 2012, total revenues generated amounted to Php 318.634 from income from a previous sale of a subsidiary amounting to Php 224.956 million, fair value adjustment of investment properties amounting to Php 73.393 million and interests and other income amounting to Php 20.285 million.

Costs and expenses for the year totaled Php 57.791 million, mostly in general and administrative expenses amounting to Php 49.384 million and net foreign exchange losses of Php 5.219 million.

For the year 2012, the company recorded a total comprehensive income of Php 271.034 million or an increase of Php 158.498 million compared to the total comprehensive income of 2011 amounting to Php 112.536 million.

Note: For the 2012 audited financial statements, the 2012 and 2011 balances were restated due to the effect of adoption of the revised PAS 19, Employee Benefits. Accounts affected were retirement benefits liability and deferred income tax asset. These restatements were also disclosed in the audited financial statements.

2011

For 2011, total assets of the Company stood at Php 568.833 million, up by Php 106.873 million compared to the 2010's level of Php 461.960 million (see Note below). Current assets of Php 323.068 million were mainly in cash and cash equivalents and short term investments totaling Php 320.522 million or an increase of Php 131.857 million compared to the 2010 balance of Php 191.211 million. The significant increase in cash and placements were from the payments made during the year by Forum Energy from the company's share in cost recoveries and gross revenues from SC 14-C (Galoc) liftings in the total amount of USD 4.588 million. Receivables declined to Php 1.705 million in 2011 from Php 10.191 million in 2010 due to the collection of certain receivables. Biological assets and Agricultural produce were closed in 2011 due to the suspension of operations of a subsidiary. Noncurrent assets closed at Php 245.765 million in 2011 decreasing by Php 6.875 million compared to the level of 2010 of Php 252.640 million. Significant variances in Noncurrent assets were in Available for Sale (AFS) financial assets recorded at Php 55.984 million in 2011 or an increase of Php 51.583 million compared to 2010's level of Php 4.401 million due to additional investments made for the year. Property and equipment and Project Development Costs decreased in 2011 compared to the balance in 2010 mainly due to the Provisions for Impairment Losses booked for the year. Deferred costs increased in 2011 compared to 2010 due to additional costs incurred for the Company's projects.

Total liabilities decreased in 2011 and closed at Php 12.977 million, or a decrease of Php 2.423 million from its 2010 level of Php Php 15.400 million. The decrease was mainly in accounts payable and accrued expenses for taxes and retirement benefits.

Stockholders' equity closed at Php 555.856 million or an increase of Php 109.296 million from the 2010 level of Php 446.560 million. A significant variance recorded was in the deficit account which decreased from Php 209.142 million to Php 91.607 million mainly due to the net income from operations booked for the year of Php 116.355 million.

For the year ended December 31, 2011, the Company recorded total revenues of Php 220.604 million or an increase of Php 107.641 million compared to the total revenues recorded in 2010 of Php112.963 million. Revenues for the year were mostly in cost recoveries and gross proceeds from SC 14-C amounting to Php 198.468 million. Other sources of revenue amounted to Php 11.265 million from interests on cash and placements, gain on settlement of Php 8.225 million, net foreign exchange gain of Php 0.862 million and sales of cassava granules of Php 1.732 million.

Costs and expenses for the year totaled Php 101.853 million mostly in general and administrative expenses amounting to Php 41.857 million and Provision for Impairment Losses totaling Php 49.321 million. Other costs and expenses were Cost of Sales amounting to Php 7.201 million and costs on biological assets due to the suspension of operations of a subsidiary.

For the year ended December 31, 2011, the Company recorded a comprehensive income of Php 112.536 million, an increase of Php 109.579 million compared to the comprehensive income recorded in 2010 of Php 2.957 million.

(b) Interim Period- First Quarter, 2014 (Unaudited as of March 31, 2014)

For the quarter ending March 31, 2014, total assets stood at Php 845.813 million, total liabilities at Php 17.509 million and stockholders' equity at Php 833.550 million, with minority interest comprising Php 5.246 million.

Total revenues as of March 31, 2014 was recorded at Php 5.976 million, while total costs and expenses amounted to Php 11.619 million, resulting to a net loss of Php 5.643 million with minority interest recorded at Php 0.824 million for a net loss on a consolidated basis after minority interest of Php 4.819 million. Interests from cash and placements amounting to Php 5.060 million mostly comprise the revenue for the period while costs and expenses were all in general and administrative expenses amounting to at Php 11.619 million.

(c) Key Performance Indicators

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

Key Performance Indicators	**Year 2013**	**Year 2012**	**Year 2011**
Return on Investment (ROI)			
(Net Income / Ave. Stockholders' Equity)	-2.39%	37.55%	23.15%
Net Profit Margin			
(Net Income / Net Revenue)	-65.45%	81.86%	52.74%
Investment in Projects (Non-Petroleum)			
(As a % of Total Assets)	23.48%	22.87%	20.77%
Investment in Wells and Other Facilities			
(As a % of Total Assets)	10.01%	5.34%	7.04%
Current Ratio			
(Current Assets / Current Liabilities)	32.95:1	102.47:1	48.05:1
Asset Turnover			
(Net Revenue / Average Total Assets)	3.59%	45.04%	42.42%
Solvency Ratios			
Debt to Equity Ratio	2.00%	1.51%	3.41%
Asset to Equity Ratio	102.00%	101.51%	103.53%
Interest Rate Coverage Ratio	n/a	n/a	n/a

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

ROI (-2.39%) and Profit Margin (-65.45%) in 2013 both showed negative rates compared to the positive rates of 35.34% and 81.86%, in 2013 and 2012, respectively because the Company booked a net loss in 2013 as compared to the net income in 2012.

Investment in Non-Petroleum Projects as a % of Total Assets of 23.48% in 2013 slightly increased compared to 22.87% in 2012 because of the increase in investments due to fair value adjustments and likewise increase in total assets in 2013 compared to 2012.

Investment in Wells and Other Facilities as a % of Total Assets increased from 5.34% in 2012 to 10.01% in 2013 due to increases both in investments for various projects and in total assets in 2013 compared to 2012.

Current ratio decreased to 32.95:1 in 2013 from 102.47:1 in 2012 due to the decrease in current assets in 2013 compared to 2012.

Asset Turnover in 2013 decreased to 3.59% compared to 45.04% in 2012 due to the decreases in both revenue and average total assets in 2013 compared to 2012.

Debt to Equity Ratio slightly increased to 2.00% in 2013 compared to 1.51% in 2012 due to increases in both total liabilities and equity in 2013 compared to 2012.

Asset to Equity Ratio slightly increased to 102.00% in 2013 compared to 101.51% in 2012 due to both increases in total assets and equity in 2013 compared to 2012.

There are no known events or trends that will affect or trigger direct or contingent financial obligations on the part of the Company or will result in any default or acceleration of an obligation of the Company.

There are no material off-balance sheet transactions, arrangements or obligations, including contingent obligations of the Company with unconsolidated entities or other persons created in 2013.

(d) Comparative Analysis

First Quarter of 2014 (Interim Unaudited) vs. Fiscal Year 2013 Results of Operations

Total Assets as of March 31, 2014 stood at Php 845.813 million decreasing by Php 8.650 million from Php 854.463 million as of December 31, 2013. Current assets decreased by Php 7.964 million primarily from the decreases in cash and equivalents due to the transfer of short-term placements to long-term and higher interest yielding investments. Non-current assets decreased by Php 0.685 million due to additional investments in various projects and depreciation of property and equipment.

Total Liabilities increased by Php 0.786 million from PhP 16.722 million as of December 31, 2013 to Php 17.508 million as of March 31, 2014 mainly due to the accruals for retirement benefits.

Total Stockholders' Equity as of March 31, 2014 stood at Php 833.550 million decreasing by Php 8.612 million from Php 842.162 million as of December 31, 2013 mainly due to the fair value adjustments on financial assets and the net loss generated for the 1st quarter of 2014.

First Quarter, 2014 (Interim Unaudited) vs. First Quarter, 2013 Results of Operations

The Company recorded total revenues of Php 5.976 million for the 1st quarter ending March 2014 up by Php 1.282 million from the balance as of the same quarter of 2013 of Php 4.694 million. Revenues for both 1st quarters of 2014 and 2013 came mostly from interests on cash and placements and dividends.

Cost and expenses for the 1st quarter of 2014 were recorded at Php 11.619 million, all in general and administrative expenses. Compared to the same quarter of 2013, costs and expenses increased by Php 1.064 million from the balance of Php 10.555 million in 2013 due to additional expenses for the various projects of the Company.

For the 1st quarter of 2014, the company recorded a net loss Php 5.643 million with minority interest recorded at Php 0.824 million for a net loss on a consolidated basis of Php 4.819 million after minority interest.

Total assets stood at Php 845.813 million as of end March 2014 down by Php 8.647 million compared to end March 2013 level of Php 854.460 million. The decrease was attributable primarily to the decrease in current assets mainly in cash and cash equivalents and receivables which were invested in long-term higher interest yielding securities as shown in the increase in non-current assets mainly in investments in available for sale (AFS) financial assets and deferred charges due to additional costs and expenses for existing and new projects of the Company.

Total Liabilities as of end March 2014 was recorded at Php 17.509 million down by Php 6.214 million compared to end March 2013's level of Php 23.723 Million. The decrease was mainly due to the decrease in deferred income tax liabilities which was partly offset by the increase in the accrual for retirement benefits.

Stockholders' Equity as of end March 2014 stood at Php 833.550 million up by Php 2.822 million compared to the level of March 2012 of Php 830.728 million. The increase was attributable mainly to the increase in capital stock from the exercise of the stock option plan and fair value adjustments of financial assets, partly offset by the loss for the period.

2012 vs. 2011 Results of Operations

For the year ended December 31, 2012, the Company generated revenues of Php 318.634 million, an increase of Php 98.030 million compared to the revenues as of the year ended December 31, 2011 of Php 220.604 million. Revenues were mostly from historical cost recoveries resulting from a previous sale of a subsidiary amounting to Php 224.956 million or an increase of Php 26.488 million compared to Php 198.468 million in 2011. Other sources of revenue for the year were from interests from cash and placements of Php 17.707 million, fair value adjustments on investment properties of Php 73.393 million, dividends of Php 0.755 million and other income of Php 1.823 million.

Costs and expenses for the year ended December 31, 2012 totaled Php 57.791 million, down by Php 44.062 million compared to the balance for the year ended December 31, 2011 of Php 101.853 million. The significant decrease in costs and expenses for 2012 was because in 2011, the Company booked provisions for impairment losses in project development costs and property and equipment totaling Php 49.321 million and cost of sales of Php 7.201 million which were partly offset by provisions for impairment losses in available for sale (AFS) financial assets of Php 3.188 million and foreign exchange losses of Php 5.219 million booked in 2012.

Net comprehensive income on a consolidated basis for the year ended December 31, 2012 amounted to Php 271.034 million or an increase of Php 158.498 million compared to the net comprehensive income booked as of December 31, 2011 of Php 112.536 million.

Note: The 2012 and 2011 balances were restated due to the effect of adoption of the revised PAS 19, Employee Benefits. Accounts affected were retirement benefits liability and deferred income tax asset. These restatements were also disclosed in the audited financial statements as of and for the year ended 2013.

<u>2011 vs. 2010 Results of Operations</u>

For the year ended December 31, 2011, the Company posted revenues of Php 220.604 million, up by Php 107.641 million compared to the revenues generated for the year ended December 31, 2010 of Php 112.963 million. Like in the previous year, revenues were mostly from historical cost recoveries amounting to Php 198.468 million in 2011 compared to Php 78.236 million in 2010. Other sources of revenue for the year were from interest on cash and placements of Php 11.265 million, gain on settlement amounting to Php 8.225 million, foreign exchange gain of Php 0.862 million and sale of cassava granules amounting to Php 1.731 million.

Costs and expenses for the year ended December 31, 2011 amounted to Php 101.853 million, an increase of Php 10.140 million compared to the balance for the year ended December 31, 2010 of Php 91.713 million. The increase in costs and expenses in 2011 were mostly in general and administrative expenses and provisions for impairment losses on project development costs and property and equipment.

Net comprehensive income on a consolidated basis for the year ended December 31, 2011 amounted to Php 112.536 million, or an increase of Php 109.579 million compared to the net comprehensive income generated for the year ended December 31, 2010 of Php 2.957 million.

Note: The 2011 balances were restated due to the effect of adoption of the revised PAS 19, Employee Benefits. Accounts affected were retirement benefits liability and deferred income tax asset. These restatements were also disclosed in the audited financial statements as of and for the year ended 2013.

2010 vs. 2009 Results of Operations

For the year ended December 31, 2010, total revenues amounted to Php 112.963 Million or an increase of Php 103.302 million compared to the total revenues generated in 2009 of Php 9.661 million. Revenues in 2010 were mostly in historical cost recoveries from a previous sale of a subsidiary while revenues in 2009 were mostly in interest income on cash and placements.

Costs and Expenses for 2010 amounted to Php 91.713 million, or an increase of Php 64.647 million compared to the cost and expenses recorded in 2009 of Php 27.066 million. The increases were mostly in provisions for impairment losses and fair value adjustments on agricultural produce booked in 2010.

For the year ended December 31, 2010, the Company reported total comprehensive income of Php 2.957 million compared to a comprehensive income for the year ended December 31, 2009 of Php 0.179 million.

(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 2013 audited financial statements of the Company.

The accounting policies adopted are consistent with those of the previous financial reporting year, except for certain standards and amendments that require restatement of the previous consolidated financial statements and changes in accounting disclosures:

1) Philippine Accounting Standards (PAS) 19, *Employee Benefits* (Revised 2011)

For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in Other Comprehensive Income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred. The Company adopted the revised standards retrospectively.

2) PFRS 13, *Fair Value Measurement*

PFRS establishes a single source of guidance for all fair value measurements. The Company re-assessed its policies for measuring fair values and assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Company.

3) Amendments to PAS 1, *Presentation of Financial Statements- Presentation of Items of OCI* .

The amendments to PAS 1 introduced a grouping of items presented in OCI. The amendments affect presentation only and have no impact on the Company's financial position or performance.

Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Company, as follows:

i. PFRS 7, *Financial Instruments: Disclosures-Offsetting Financial Assets and Financial Liabilities* (Amendments)- The Corporation does not have relevant off-setting arrangements.
ii. PFRS 10, *Consolidated Financial Statements*, replaced the portion of PAS 27, Consolidated and Separate Financial Statements. The Company adopted PFRS 10 in the current year.
iii. PFRS 11, *Joint Arrangements*, replaced PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-Controlled Entities – Non-monetary Contributions by Venturers.*
iv. PFRS 12, *Disclosure of Interests with Other Entities*. The Company has no unconsolidated structured entities.
v. PFRS 13, *Fair Value Measurement- Additional disclosures*
vi. Additional Amendments to PAS 19, *Employee Benefits*
vii) Annual Improvements to PFRSs (2011-2013 cycle) – contain non-urgent but necessary amendments to the following standards, which, however, have no impact on the Corporation's financial position or performance:

   a. PFRS 1, *First-time Adoption of Philippine Financial reporting Standards- meaning of "Effective PFRSs"* – This amendment is not applicable as the Corporation is not a first-time adopter of PFRS.
   b. PFRS 3, *Business Combinations- Scope of Exceptions for Joint Arrangements-* The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.
   c. PFRS 13, *Fair Value Measurements- Portfolio Expansion-*
   The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.
   d. PAS 40, Investment Property
   The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

The above changes were disclosed in the Consolidated Audited Financial Statements of the Company as of December 31, 2013.

PART II. SECURITIES OF THE COMPANY

(A) <u>Market Price and Dividends Information</u>

(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 2012 and 2013, and the first three (3) months/quarter of 2014, are as follows:

	HIGH			LOW		
	2012	**2013**	**2014**	**2012**	**2013**	**2014**
1st Quarter	Php0.34	Php0.28	Php0.25	Php0.18	Php0.28	Php0.24
2nd Quarter	0.31	0.27		0.24	0.26	
3rd Quarter	0.28	0.25		0.24	0.24	
4th Quarter	0.31	0.24		0.25	0.23	

Further, the last trading price of shares of the Corporation, as of March 31, 2014 was Php0.242 per share.

(1) HOLDERS

Top 20 Stockholders as of March 31, 2014:

NAME	**OUTSTANDING SHARES**	**PERCENTAGE**
PCD Nominee Corporation (Filipino)	2,095,642,358	82.90%
PCD Nominee Corporation (Foreign)	50,810,012	2.01%
Christodel Phils, Inc.	25,736,744	1.02%
Isidoro O. Tan	24,822,276	0.98%
Phases Realtors, Inc.	20,989,439	0.83%
Northwest Traders Corporation	20,745,757	0.81%
Jose C. De Venecia, Jr.	10,013,225	0.40%
Samuel Uy	10,000,000	0.40%
Jose Ma. L. De Venecia	9,075,833	0.36%
Northwest Investors, Inc.	8,708,890	0.34%
Mark Anthony L. De Venecia	8,363,333	0.33%
Oscar C. De Venecia	8,110,000	0.32%
Ernesto Chiaco Chua	8,000,000	0.32%
JLV Holdings, Inc.	7,200,000	0.28%
MDV Holdings, Inc	5,070,000	0.20%
Kho Giok En	4,550,000	0.18%
Horacio Rodriquez	4,408,523	0.17%
Northwest Securities	3,998,109	0.16%
Christine Chua	3,149,221	0.12%
East West Commodities, Inc.	3,019,498	0.12%

The Company is in compliance with the minimum public ownership requirement prescribed under existing regulations of the Securities and Exchange Commission and the Philippine Stock Exchange. The Company's level of public float as of March 31, 2014 is 90.3% of total outstanding shares.

3) DIVIDENDS

a) No cash/stock dividends have been declared in 2013 and 2012.
b) There are no restrictions that limit the payment of dividend on common shares

4) RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

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

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

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

Subscribers	**Shares Subscribed**	**Date of Subscription**
Directors		
Oscar C. De Venecia	30,000,000	4.27.12
	22,000,000	7.03.13
Francis C. Chua	30,000,000	4.27.12
	22,000,000	7.03.13
Ramon L. Mapa	30,000,000	4.27.12
Oscar L. De Venecia, Jr.	28,500,000	4.27.12
	22,000,000	7.03.13
Jaime J. Martirez	30,000,000	4.26.12
	30,100,000	7.03.13
Ma. Florina M. Chan	30,000,000	4.26.12
	22,000,000	7.03.13
Eduardo V. Manalac	30,000,000	4.27.12
Gabriel R. Singson, Jr.	30,000,000	4.27.12
Isidoro O. Tan	30,000,000	4.26.12
	22,000,000	7.03.13
Oscar S. Reyes	30,000,000	9.26.12
	22,000,000	7.03.13
Dennis D. Decena	4,000,000	4.26.12

Advisory Board		
Jose C. De Venecia, Jr.	5,000,000	4.26.12
	12,000,000	7.03.13
Leonardo R. Arguelles, Jr.	8,100,000	7.03.13
Officers		
Emelinda I. Dizon	10,000,000	7.03.13
Corazon M. Bejasa	100,000	9.26.12
Alberto P. Morillo	100,000	9.26.12
Marietta V. Villafuerte	100,000	9.26.12
Total	**500,000,000**	

CORPORATE GOVERNANCE

Corporate Governance Manual

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

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

Corporate Governance Committee

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

The Committee is composed of the following:

Gabriel R. Singson, Jr.	-	Chairman
Francis C. Chua	-	Vice Chairman
Ma. Florina M. Chan	-	Member
Jaime J. Martirez	-	Member
Dennis D. Decena (Independent Director)	-	Member

Evaluation System for Compliance with Leading Practices on Corporate Governance

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

The officers and directors of the Company have attended the seminars on Corporate Governance and Anti-Money Laundering Laws and Regulations. In compliance with SEC Memorandum Circular No. 20, series of 2013, the directors and key officers of the Company are scheduled within the year to attend a corporate governance seminar conducted by SEC accredited service providers.

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

In addition to the Corporate Governance Committee, the Board of Directors established other Board and Management Committees, namely: the Audit Committee, Nominating Committee, Compensation and Remuneration Committee, and the Finance and Investments Committee. The Company's reportorial and disclosure system has been likewise enhanced to promote close coordination between the Board of Directors and the officers in charge of legal and regulatory compliance, and to ensure transparency of transactions and timely and accurate disclosures to stockholders.

Annual Corporate Governance Report

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

Internal Control

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

On February 27, 2013, the Board of Directors, upon endorsement of the Audit Committee, approved the Internal Audit Manual of the Company, setting the internal audit policies, internal control systems and procedures and reporting of internal audit results to the Audit Committee and to the Board of Directors. The auditing firm, RS Bernaldo & Associates, has been engaged for the fiscal year 2013 to undertake internal audit functions for the Company.

Anti-Money Laundering Manual

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

May 9, 2014, Makati City.

OSCAR L. DE VENECIA, JR.
President & CEO

BASIC ENERGY
CORPORATION

SECURITIES AND EXCHAGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro 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 for the years ended December 31, 2013 and 2012, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

SyCip, Gorres, Velayo & Co., the independent auditors, appointed by the stockholders has examined 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 examination.

OSCAR C. DE VENECIA
Chairman of the Board

OSCAR L. DE VENECIA, JR.
President & CEO

MARIETTA V. VILLAFUERTE
Vice President & Treasurer

Signed this __ day of March, 2014.

SUBSCRIBED AND SWORN to before me this ____ day of APR 08 2014 2014 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
Marietta V. Villafuerte	100-168-986-000

Notary Public

ATTY. [illegible]
NOTARY PUBLIC
Until December 31, 2015
Appt. No. M-44, Makati City
IBP #9[illegible]830, Nov. 12, 201[illegible]-RSM
PTR #4[illegible], Jan. 02, 2014-Makati
S.C. Roll No. 59597
MCLE Compliance No. IV-0011330
Unit 8E Cityland Herrera Tower
#98 Rufino St. cor. Valero St.
Salcedo Village, Makati City

Doc. No. 420
Page No. 85
Book No. 24
Series of 2014.

7F Basic Petroleum Building, 104 Carlos Palanca, Jr. Street, Legaspi Village, Makati City 1229, Philippines
+ (632) 8178596 or 98 + (632) 8170191 www.basicenergy.ph

COVER SHEET

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SEC Registration Number

B A S I C   E N E R G Y   C O R P O R A T I O N   A N D   S U B S I D I A R I E S

(Company's Full Name)

7 t h   F l o o r ,   B a s i c   P e t r o l e u m   B u i l d i n g ,   C .   P a l a n c a ,   J r .   S t r e e t ,   L e g a s p i   V i l l a g e ,   M a k a t i   C i t y

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

Marietta V. Villafuerte

(Contact Person)

(632) 817-8596 & 98

(Company Telephone Number)

1 2 | 3 1

Month *Day*

(Calendar Year)

A A C F S

(Form Type)

0 5 | 2 9

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

CRM

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

6,779

Total No. of Stockholders

NA

Domestic

NA

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SGV
Building a better working world

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

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

BOA/PRC Reg No 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Basic Energy Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Basic Energy Corporation and its subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-3 (Group A),
March 21, 2013, valid until March 20, 2016
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225164, January 2, 2014, Makati City

March 26, 2014

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31		
	2013	2012 (As restated, see Note 2)	January 1, 2012 (As restated, see Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 5)	**₱80,542,774**	₱202,436,999	₱311,754,005
Short-term cash investments	**–**	8,210,000	8,768,000
Receivables (Note 6)	**3,031,899**	45,450,565	1,705,712
Prepayments and other current assets	**1,676,232**	1,430,455	840,540
Total Current Assets	**85,250,905**	257,528,019	323,068,257
Noncurrent Assets			
Available-for-sale (AFS) financial assets (Note 7)	**451,425,196**	305,867,784	55,984,380
Investment properties (Note 8)	**200,634,343**	193,479,343	120,086,298
Property and equipment (Note 12)			
At cost	**5,172,506**	9,796,834	10,342,527
At revalued amount	**22,687,313**	24,370,645	14,909,998
Deferred charges (Note 11)	**85,535,082**	45,185,414	40,680,455
Other noncurrent assets (Note 4)	**3,757,602**	9,915,102	3,761,102
Total Noncurrent Assets	**769,212,042**	588,615,122	245,764,760
TOTAL ASSETS	**₱854,462,947**	₱846,143,141	₱568,833,017
LIABILITIES AND EQUITY			
Current Liability			
Accounts payable and accrued expenses (Note 13)	**₱2,587,321**	₱2,513,258	₱6,723,074
Noncurrent Liabilities			
Deferred income tax liabilities - net (Note 21)	**6,167,185**	2,151,594	138,518
Accrued retirement benefits (Note 20)	**7,967,637**	7,913,772	6,115,500
Total Noncurrent Liabilities	**14,134,822**	10,065,366	6,254,018
Total Liabilities	**16,722,143**	12,578,624	12,977,092
Equity Attributable to Equity Holders of Parent			
Capital stock [held by 6,799 and 6,853 equity holders in 2013 and 2012, respectively] (Note 14)	**631,940,878**	610,623,378	610,623,378
Additional paid-in capital	**32,699,360**	32,699,360	32,699,360
Revaluation increment in office condominium (Note 12)	**15,809,309**	17,059,457	10,437,004
Net unrealized gains (losses) on changes in fair value of AFS financial assets (Note 7)	**33,364,260**	18,069,385	(509,593)
Remeasurement loss on accrued retirement benefits	**(2,704,577)**	(3,370,337)	(2,565,106)
Cumulative translation adjustment	**718,817**	–	–
Deposit for future stock subscription	**–**	6,675,000	–
Retained earnings (deficit)	**133,574,416**	155,048,133	(91,607,161)
Total equity attributable to equity holders of the Parent Company	**845,402,463**	836,804,376	559,077,882
Non-controlling interests (Note 16)	**(4,421,659)**	141	18,043
	840,980,804	836,804,517	559,095,925
Treasury stock - at cost (Note 15)	**(3,240,000)**	(3,240,000)	(3,240,000)
Total Equity	**837,740,804**	833,564,517	555,855,925
TOTAL LIABILITIES AND EQUITY	**₱854,462,947**	₱846,143,141	₱568,833,017

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
COvNSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2013	2012 (As restated, see Note 2)	2011 (As restated, see Note 2)
INCOME			
Interest income (Note 17)	**₱18,500,118**	₱17,707,366	₱11,264,786
Foreign exchange gains - net	**6,883,241**	–	861,796
Dividend income	**3,000,953**	754,990	5,508
Fair value adjustment on investment properties (Note 8)	**2,155,000**	73,393,045	–
Income from previous sale of Basic Petroleum and Minerals, Inc. (BPMI) (Note 4)	–	224,955,850	198,467,991
Gain on settlement (Note 4)	–	–	8,224,842
Sales (Note 9)	–	–	1,731,720
Others	**1,233**	1,822,670	47,169
	30,540,545	318,633,921	220,603,812
COSTS AND EXPENSES			
General and administrative expenses (Note 19)	**50,530,759**	49,383,583	41,857,334
Foreign exchange losses – net	–	5,218,944	–
Provision for impairment on AFS financial assets (Note 7)	–	3,188,403	–
Provision for impairment losses on project development cost (Notes 10)	–	–	46,731,677
Cost of sales (Note 9)	–	–	7,201,046
Provision for impairment loss of property and equipment	–	–	2,588,970
Others (Note 9)	–	–	3,474,404
	50,530,759	57,790,930	101,853,431
INCOME (LOSS) BEFORE INCOME TAX	**(19,990,214)**	260,842,991	118,750,381
PROVISION FOR INCOME TAX (Note 21)			
Current	**3,725,629**	16,173,203	2,372,666
Deferred	**3,429,822**	(868,862)	23,117
	7,155,451	15,304,341	2,395,783
NET INCOME (LOSS)	**(27,145,665)**	245,538,650	116,354,598
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Unrealized gains (losses) in AFS financial assets (Note 7)	**15,294,875**	18,496,932	(1,790,891)
Income tax effect	–	82,046	537,267
	15,294,875	18,578,978	(1,253,624)
Cumulative translation adjustment	**718,817**	–	–
Income tax effect	–	–	–
	718,817	–	–
	16,013,692	18,578,978	(1,253,624)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Revaluation increment in office condominium	–	11,030,278	–
Income tax effect	–	(3,309,083)	–
	–	7,721,195	–
Remeasurement gain (loss) on retirement benefits liability	**951,086**	(1,150,330)	(3,664,437)
Income tax effect	**(285,326)**	345,099	1,099,331
	665,760	(805,231)	(2,565,106)
	665,760	6,915,964	(2,565,106)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	**16,679,452**	25,494,942	(3,818,730)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱10,466,213)**	₱271,033,592	₱112,535,868

(Forward)

	Years Ended December 31		
	2013	2012 (As restated, see Note 2)	2011 (As restated, see Note 2)
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**(₱22,723,865)**	₱245,556,552	₱116,375,241
Non-controlling interest	**(4,421,800)**	(17,902)	(20,643)
	(₱27,145,665)	₱245,538,650	₱116,354,598
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**(₱6,044,413)**	₱271,051,494	₱112,556,511
Non-controlling interest	**(4,421,800)**	(17,902)	(20,643)
	(₱10,466,213)	₱271,033,592	₱112,535,868
EARNINGS PER SHARE (Note 22)			
Basic	**(₱0.009)**	₱0.101	₱0.048
Diluted	**(0.009)**	0.083	0.039

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013, 2012 AND 2011

	Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Deposit for Future Stock Subscription (Note 14)	Revaluation Increment in Office Condominium (Note 12)	Net unrealized gain (loss) on changes in fair value of AFS Financial Assets (Note 7) Equity	Debt	Remeasurement Loss on Accrued Retirement benefits	Retained Earnings (Deficit)	Cumulative Translation Adjustment	Total	Non-controlling Interest	Treasury Stock	Total Equity
BALANCES AT DECEMBER 31, 2012, as previously restated	**₱610,623,378**	**₱32,699,360**	**₱6,675,000**	**₱17,059,457**	**(₱870,909)**	**₱18,940,294**	**₱–**	**₱154,918,277**	**₱–**	**₱840,044,857**	**₱141**	**(₱3240,000)**	**₱836,804,998**
Effect of change in accounting for accrued retirement benefits (Note 2)	–	–	–	–	–	–	(3,370,337)	129,856	–	(3,240,481)	–	–	(3,240,481)
BALANCES AT DECEMBER 31, 2012, as restated	**610,623,378**	**32,699,360**	**6,675,000**	**17,059,457**	**(870,909)**	**18,940,294**	**(3,370,337)**	**155,048,133**	**–**	**836,804,376**	**141**	**(3,240,000)**	**833,564,517**
Net loss	–	–	–	–	–	–	–	(22,723,865)	–	(22,723,865)	(4,421,800)	–	(27,145,665)
Other comprehensive income, net of tax	–	–	–	–	(1,803,799)	17,098,674	665,760	–	718,817	16,679,452	–	–	16,679,452
Total comprehensive income	–	–	–	–	(1,803,799)	17,098,674	665,760	(22,723,865)	718,817	(6,044,413)	(4,421,800)	–	(10,466,213)
Increase in capital stock	14,642,500	–	–	–	–	–	–	–	–	14,642,500	–	–	14,642,500
Transfer of portion of revaluation increment realized through depreciation	–	–	–	(1,250,148)	–	–	–	1,250,148	–	–	–	–	–
Conversion of deposits for future stock subscription to capital stock	6,675,000	–	(6,675,000)	–	–	–	–	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2013	**₱631,940,878**	**₱32,699,360**	**₱–**	**₱15,809,309**	**(₱2,674,708)**	**₱36,038,968**	**(₱2,704,577)**	**₱133,574,416**	**₱718,817**	**₱845,402,463**	**(₱4,421,659)**	**(₱3,240,000)**	**₱837,740,804**

	Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Deposit for Future Stock Subscription (Note 14)	Revaluation Increment in Office Condominium (Note 12)	Net unrealized gain (loss) on changes in fair value of AFS Financial Assets (Note 7) Equity	Debt	Remeasurement Loss on Accrued Retirement benefits	Retained Earnings (Deficit)	Cumulative Translation Adjustment	Total	Non-controlling Interest	Treasury Stock	Total Equity
BALANCES AT DECEMBER 31, 2011, as previously restated	**₱610,623,378**	**₱32,699,360**	**₱–**	**₱10,437,004**	**(₱509,593)**	**₱–**	**₱–**	**(₱91,624,127)**	**₱–**	**₱561,626,022**	**₱18,043**	**(₱3240,000)**	**₱558,404,065**
Effect of change in accounting for accrued retirement benefits (Note 2)	–	–	–	–	–	–	(2,565,106)	16,966	–	(2,548,140)	–	–	(2,548,140)
BALANCES AT DECEMBER 31, 2011, as restated	**610,623,378**	**32,699,360**	–	**10,437,004**	**(509,593)**	–	**(2,565,106)**	**(91,607,161)**	–	**559,077,882**	**18,043**	**(3,240,000)**	**555,855,925**
Net income	–	–	–	–	–	–	–	245,556,552	–	245,556,552	(17,902)	–	245,538,650
Other comprehensive income, net of tax	–	–	–	7,721,195	(361,316)	18,940,294	(805,231)	–	–	25,494,942	–	–	25,494,942
Total comprehensive income	–	–	–	7,721,195	(361,316)	18,940,294	(805,231)	245,556,552	–	271,051,494	(17,902)	–	271,033,592
Transfer of portion of revaluation increment realized through depreciation	–	–	–	(1,098,742)	–	–	–	1,098,742	–	–	–	–	–
Increase in deposits for future stock Subscription	–	–	6,675,000	–	–	–	–	–	–	6,675,000	–	–	6,675,000
BALANCES AT DECEMBER 31, 2012, as restated	**₱610,623,378**	**₱32,699,360**	**₱6,675,000**	**₱17,059,457**	**(₱870,909)**	**₱18,940,294**	**(₱3,370,337)**	**₱155,048,133**	**₱–**	**₱836,804,376**	**₱141**	**(₱3,240,000)**	**₱833,564,517**

	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Deposit for Future Stock Subscription (Note 14)	Revaluation Increment in Office Condominium (Note 12)	Net unrealized gain (loss) on changes in fair value of AFS Financial Assets (Note 7) Equity	Net unrealized gain (loss) on changes in fair value of AFS Financial Assets (Note 7) Debt	Remeasurement Loss on Accrued Retirement benefits	Retained Earnings (Deficit)	Cumulative Translation Adjustment	Total	Non-controlling Interest	Treasury Stock	Total Equity
	Attributable to Equity Holders of the Parent Company												
BALANCES AT DECEMBER 31, 2010	**₱610,623,378**	**₱32,699,360**	**₱–**	**₱11,596,669**	**₱744,031**	**₱–**	**₱–**	**(₱209,142,067)**	**₱–**	**₱446,521,371**	**₱38,686**	**₱–**	**₱446,560,057**
Net income	–	–	–	–	–	–	–	116,375,241	–	116,375,241	(20,643)	–	116,354,598
Other comprehensive income, net of tax	–	–	–	–	(1,253,624)	–	(2,565,106)	–	–	(3,818,730)	–	–	(3,818,730)
Total comprehensive income	–	–	–	–	(1,253,624)	–	(2,565,106)	116,375,241	–	112,556,511	(20,643)	–	112,535,868
Transfer of portion of revaluation increment realized through depreciation	–	–	–	(1,159,665)	–	–	–	1,159,665	–	–	–	–	–
Acquisition of treasury stock	–	–	–	–	–	–	–	–	–	–	–	(3,240,000)	(3,240,000)
BALANCES AT DECEMBER 31, 2011	**₱610,623,378**	**₱32,699,360**	**₱–**	**₱10,437,004**	**(₱509,593)**	**₱–**	**(₱2,565,106)**	**(₱91,607,161)**	**₱–**	**₱559,077,882**	**₱18,043**	**(₱3,240,000)**	**₱555,855,925**

See accompanying Notes to Consolidated Financial Statements

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱19,990,214)**	₱260,842,991	₱118,750,381
Adjustments for:			
Interest income (Note 17)	**(18,500,118)**	(17,707,366)	(11,264,786)
Unrealized foreign exchange losses (gains) - net	**(6,893,272)**	4,091,773	(2,921,992)
Movements in accrued retirement benefits (Note 20)	**1,004,951**	647,942	1,545,463
Depreciation and amortization (Note 12)	**3,264,564**	3,642,532	3,320,565
Dividend income	**(3,000,953)**	(754,990)	(5,508)
Fair value adjustment on investment properties (Note 8)	**(2,155,000)**	(73,393,045)	–
Provision for impairment of property and equipment (Note 12)	–	–	2,588,970
Provision for impairment on AFS financial assets (Note 7)	–	3,188,403	–
Provision for impairment losses on project development cost and deferred charges(Notes 10 and 11)	–	–	46,731,677
Gain on settlement (Note 4)	–	–	(8,224,842)
Cost of harvested crops (Note 9)	–	–	6,338,428
Loss on biological assets (Note 9)	–	–	3,474,404
Others	**(790,398)**	402,597	–
Operating income (loss) before working capital changes	**(47,060,440)**	180,960,837	160,332,760
Decrease (increase) in:			
Short-term cash investments	**8,210,000**	140,702	(8,768,000)
Receivables	**44,112,598**	(44,040,071)	9,326,222
Prepayments and other current assets	**(245,776)**	(589,914)	159,422
Biological assets	–	–	(1,302,380)
Agricultural produce (Note 9)	–	–	125,839
Increase (decrease) in accounts payable and accrued expenses	**74,068**	(4,296,601)	2,865,167
Net cash generated from operations	**5,090,450**	132,174,953	162,739,030
Interest received	**16,806,186**	13,277,419	10,448,662
Income taxes paid (including final taxes on interest income)	**(3,725,985)**	(12,720,266)	(2,688,845)
Net cash flows generated from operating activities	**18,170,651**	132,732,106	170,498,847
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
AFS financial assets	**(126,688,325)**	(234,571,375)	(50,592,368)
Deferred charges (Note 11)	**(40,349,668)**	(4,504,959)	(9,412,768)
Investment property (Note 8)	**(5,000,000)**	–	–
Property and equipment (Note 12)	**(456,904)**	(3,365,792)	(2,736,939)
Net movements from long term cash investment	**6,157,500**	(6,431,500)	–
Dividends received	**3,000,953**	754,990	5,508
Proceeds from sale of property and equipment	–	1,420,000	604,334
Proceeds from settlement (Note 4)	–	–	15,261,300
Net cash flows used in investing activities	**(163,336,444)**	(246,698,636)	(46,870,933)
CASH FLOWS FROM FINANCING ACTIVITIES			
Exercise of stock option	**14,642,500**	–	–
Increase in deposits for future stock subscription	–	6,675,000	–
Acquisition of treasury stock	–	–	(3,240,000)
Net cash flows generated from (used in) financing activities	**14,642,500**	6,675,000	(3,240,000)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**8,629,068**	(2,025,476)	155,525
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(121,894,225)**	(109,317,006)	120,543,439
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**202,436,999**	311,754,005	191,210,566
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱80,542,774**	₱202,436,999	₱311,754,005

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Corporate Information

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

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

Organizational Changes

The Parent Company amended its By-laws on June 29, 2011 to delineate the position and responsibilities of the Chairman from the Chief Executive Officer (CEO) of the Parent Company and to define the duties and responsibilities of the President and the Chief Operating Officer (COO). These amendments were in line with corporate governance principles enjoining the separation of the positions and responsibilities of the Chairman and the CEO, and were approved by the SEC on July 29, 2011. On August 31, 2011, the Board of Directors (BOD) appointed Mr. Oscar C. De Venecia as Chairman and Mr. Oscar L. De Venecia, Jr. as President and CEO. The duties and responsibilities of the COO were incorporated with those of the Executive Vice President.

On February 28, 2011, former Speaker of the House of Representatives, Mr. Jose C. De Venecia, Jr., was appointed by the BOD as the Chairman of the Advisory Board.

Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements were authorized for issuance by the BOD during its meeting on March 26, 2014.

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

Basis of Preparation

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

Statement of Compliance

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

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

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Parent Company controls an investee if and only if the Parent Company has all of the following:

- Power over 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 the amount of the Parent Company's returns.

Subsidiaries are deconsolidated from the date on which control ceases.

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

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.

The ownership of the Parent Company over the following subsidiaries as of December 31, 2013 and 2012 are as follows:

Subsidiaries	**2013**	2012
Basic Diversified Industrial Holdings, Inc. (BDIHI)	**100.00**	100.00
iBasic, Inc. (iBasic)	**100.00**	100.00
Basic Ecomarket Farms Inc. (BEFI)	**100.00**	100.00
Basic Biofuels Corporation (BBC)	**100.00**	100.00
Basic Geothermal Energy Corporation (BGEC)	**100.00**	100.00
Southwest Resources, Inc. (SWR)	**72.58**	72.58
Grandway Group Limited (Grandway)	**70.00**	–
PT Basic Energi Solusi (PT BES)	**66.50**	–

Non-controlling Interest
Where the ownership of a subsidiary is less than 100%, and therefore a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Non-controlling interest represents the 27.42% equity interest in the net assets of SWR as of December 31, 2013 and 2012, and 30% equity interest in the net assets of Grandway and 33.50% equity interest in the net asset of PT BES as of December 31, 2013.

Non-controlling interest are presented separately in the consolidated statement of comprehensive income, consolidated statements of changes in equity and within the equity section in the consolidated statement of financial position, separately from the equity attributable to the equity holders of the Parent Company. Non-controlling interest shares in the losses even if the losses exceed the non-controlling equity interest in the subsidiary.

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 non-controlling interest
- Derecognizes the cumulative translation differences, recognized in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income or OCI to profit or loss or retained earnings, as appropriate.

Changes in Accounting Policies and Disclosures
The Group applied, for the first time, certain standards and amendments that require restatement of previous consolidated financial statements and changes in accounting disclosures. These include Philippine Accounting Standards (PAS) 19, *Employee Benefits* (Revised 2011), PFRS 13, *Fair Value Measurement* and amendments to PAS 1, *Presentation of Financial Statements*.

Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group.

The nature and the impact of each new standard and amendment are described below:

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or "similar agreement", irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information.

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

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

The amendments have no impact on the Group's financial position or performance. As the Group is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

- PFRS 10, *Consolidated Financial Statements*
  The Group adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in Standing Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The adoption of this standard did not have a significant impact on the Group's statement of financial position and performance.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The adoption of this standard did not have a significant impact on the Group's statement of financial position and performance.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The Group has no unconsolidated structured entities.

  The adoption of PFRS 12 affects disclosure only and does not have a significant effect in the Group's financial position or performance (See note 16).

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 24.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of OCI* (Amendments)
  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)
  The revised standard includes a number of amendments that range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. On January 1, 2013, the Group adopted the revised standards retrospectively, with permitted exception on sensitivity disclosures for the defined benefit obligation for the comparative period which have not been provided. For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses at the end of the previous period exceeded ten percent (10%) of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in profit or loss in the period they occur.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period, taking account of any changes in the net defined benefit liability or asset during the period.

  The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

  Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact on the Group's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of adoption on the consolidated financial statements are as follows:

	31 December 2013	31 December 2012	1 January 2012
Increase (decrease) in:			
Consolidated statements of financial position			
Accrued retirement benefits	₱3,244,134	₱4,629,259	₱3,640,200
Deferred income tax assets	973,240	1,388,778	1,092,060
Remeasurement loss on accrued retirement benefits	(2,704,577)	(3,370,337)	(2,565,106)
Retained earnings	433,683	129,856	16,966
Consolidated statements of comprehensive income:	2013	2012	2011
General and administrative expenses:	(₱434,039)	(₱161,271)	(₱24,237)
Income tax effect	130,212	48,381	7,271
Net income	303,827	112,890	16,966
Remeasurement gain (loss)	951,086	(1,150,330)	(3,664,437)
Income tax effect	(285,326)	345,099	1,099,331
Other comprehensive income (loss)	665,760	(805,231)	(2,565,106)
Total comprehensive income (loss)	₱969,587	(₱692,341)	(₱2,548,140)
Consolidated statements of cash flow:	2013	2012	2011
Income before tax	(₱434,039)	(₱161,271)	(₱24,237)
Movements in accrued retirement benefits	434,039	161,271	24,237

Annual Improvements to PFRSs (2009-2011 cycle)

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
  These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements. An entity must include comparative information in the related notes to the consolidated financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of consolidated financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Group has not included a complete comparative information in respect of the opening consolidated statement of financial position as at January 1, 2012. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

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

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

<u>Standards and Interpretation Issued but not yet Effective</u>

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). This amendment is not relevant to the Group.

- Philippine Interpretation IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance.

  The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendment is not relevant to the Group.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment has no impact to the Group.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment has no impact on the Parent Company's financial position.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the Parent Company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of "Effective PFRSs"*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the consolidated financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment has no impact on the Group's financial position or performance.

- PAS 40, Investment *Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

<u>Summary of Significant Accounting and Financial Reporting Policies</u>

<u>Presentation of Financial Statements</u>
The Group has elected to present all items of recognized income and expense in one single statement of comprehensive income.

<u>Cash and Cash Equivalents</u>
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.

Cash Investments

Short-term cash investments consist of short-term money-market placements and time deposits with original maturities of more than three months but less than a year. Placement and time deposits with maturities of more than one year are classified as noncurrent assets under "Long-term cash investment" account.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition

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

Initial Recognition and Measurement of Financial Instruments

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

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

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

The Group's financial assets are in the nature of loans and receivables and AFS financial assets. As at December 31, 2013 and 2012, the Group has no financial assets at FVPL and HTM investments or derivatives designated as hedging instruments in an effective hedge.

The Group's financial liabilities are in the nature of loans and borrowings as at December 31, 2013 and 2012.

Subsequent Measurement

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

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They arise when the Group provides

money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, such financial assets are subsequently measured in the 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 statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.
Loans and receivables are included in current assets if maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

The Group's cash and cash equivalents, short-term and long-term cash investments and receivables cash investment as at December 31, 2013 and 2012 are classified under this category (see Notes 5 and 6).

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

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

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

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

As of December 31, 2013 and 2012, included under AFS financial assets are the Group's investments in shares of stock and government bonds (see Note 7).

Loans and borrowings
Issued financial instruments or their components which are not designated as at FVPL are classified as loans and borrowings, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to

satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

As of December 31, 2013 and 2012, included in loans and borrowings are the Group's accounts payable and accrued expenses (see Note 13).

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.

Fair value Measurement

The Group measures AFS financial assets and investment property, at fair value at each end of reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

An analysis of the fair values of AFS financial assets and investment property and further details as to how they are measured are provided in Notes 7 and 8.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows 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 and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

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

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

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

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

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

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

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

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

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

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as a component of "Other income" account in the consolidated statement of comprehensive income. If, subsequently, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in consolidated profit or loss, the impairment loss is reversed through consolidated profit or loss.

Prepayments and Other Current Assets

Prepayments

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

Valued-added Tax (VAT)

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

VAT is stated at 12% of the applicable purchase cost of goods or services, net of output tax liabilities. The net amount of VAT recoverable from or payable to, the taxation authority is included as part of "Prepayments and other current assets" or "Accounts payable and accrued expenses," respectively, in the consolidated statement of financial position.

Investment Properties

Investment properties, consisting of parcels of land owned by the Group, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in consolidated profit or loss in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses from derecognition of an investment property are recognized in consolidated profit or loss in the year of retirement or disposal.

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

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

Any revaluation increment is credited to the "Revaluation increment in office condominium" account in the equity section of the consolidated statements of financial position, net of the related deferred income tax liability. An annual transfer from the "Revaluation increment in office condominium" account to retained earnings (deficit) is made for the difference between the depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's original cost. Additionally, accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation increment relating to the particular asset sold is transferred to retained earnings (deficit).

The initial costs of property and equipment consist of their purchase price and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are recognized in profit or loss in the year in which costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. Major maintenance and major overhaul costs that are capitalized as part of property and equipment are depreciated on a straight-line basis over the shorter of their estimated useful lives, typically the period until the next major maintenance or inspection.

Depreciation and amortization is computed using the straight-line method to allocate the related assets' cost to their estimated useful lives. The annual rates of depreciation for each category are based on the following useful lives of related assets:

	Number of Years
Office condominium	15
Office equipment, furniture and fixtures	4 to 5
Farm equipment	3 to 5
Building and leasehold improvements	10
Transportation equipment	5

Leasehold improvements are amortized over the term of the lease or estimated useful life of ten (10) years, whichever is shorter.

The assets' estimated useful lives and depreciation and amortization 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 and amortization of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation ceases when assets are fully depreciated or at earlier of the date that line item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the item is derecognized.

When assets are retired or otherwise disposed of, their cost, accumulated depreciation and amortization and any allowance for impairment loss are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of comprehensive income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year the item is derecognized.

Fully-depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to operations.

Deferred Charges

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 resources are capitalized and accounted for under the "successful efforts method" [determined on the basis of each Service Contract (SC)/Geophysical Survey and Exploration Contract (GSEC)]. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

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

Impairment of Nonfinancial Assets

Property and Equipment and Noncurrent Assets

The Group assesses at each financial reporting date 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 CGU are written down to their estimated recoverable amounts. The estimated recoverable amount of an asset is the greater of the fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the CGU to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed by a credit to current operations (unless the asset is carried at a revalued amount in which case the reversal of the impairment loss is credited to the revaluation increment of the same asset) to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation) had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal, the amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on systematic basis over its remaining useful life.

Prepayments and Other Current Assets
The Group provides provision for impairment losses on nonfinancial prepayments and other current assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in provision for impairment losses would increase recorded expenses and decrease prepayments and other current and noncurrent assets.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation and amortization) had no impairment loss been recognized for that asset in prior years.

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

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

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

- the unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;

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

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

Retained Earnings
The amount included in retained earnings includes profit (loss) attributable to the Parent Company's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Parent Company's BOD. Dividends for the period that are approved after the end of the financial reporting date are dealt with as an event after the financial reporting period. Retained earnings may also include the effect of changes in accounting policy as may be required by the accounting standard's transitional provisions.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

Revenue Recognition
Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of revenue can be measured reliably, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received, net of discounts. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The following specific recognition criteria must also be met before revenue is recognized:

Interest income
Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

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

General and Administrative Expenses
General and administrative expenses are decreases in economic benefits during the accounting period in the form of outflows or occurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. General and administrative expenses are generally recognized when the services are used or the expense arises while interest expenses are accrued in the appropriate financial reporting date.

Retirement Benefits Costs
The net retirement benefits liability or asset is the aggregate of the present value of the retirement benefit obligation at the end of the financial reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the retirement benefit plans is actuarially determined using the projected unit credit method.

Retirement benefit costs comprise the following:
- Service cost
- Net interest on the net retirement benefit liability or asset
- Remeasurements of net retirement benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net retirement benefit liability or asset is the change during the period in the net retirement benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net retirement benefit liability or asset. Net interest on the net retirement benefit liability or asset is recognized as expense or income in consolidated profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Remeasurements recognized in OCI after the initial adoption of Revised PAS 19 are not closed to retained earnings account. These are retained in OCI until full settlement of the liability.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the retirement benefit obligation, the measurement of the resulting retirement benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a retirement benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination Benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve (12) months after the end of the financial reporting period is recognized for services rendered by employees up to the end of the reporting period.

Foreign Currency Transactions
Foreign currency transactions are recorded in Philippine peso by applying to the foreign currency amount the exchange rate between the Philippine peso and the foreign currency at the date of the transaction. Foreign currency-denominated monetary assets and liabilities are translated to Philippine peso using the prevailing exchange rates at the end of the reporting period. Exchange rate differences arising from the settlement of monetary items at rates different from those at which they were initially recorded during the year are credited or charged to current operations. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Income Taxes
Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the financial reporting date.

Current income tax relating to items recognized directly in the consolidated statement of changes in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax
Deferred income tax is provided, using the 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; and

- 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; and

- 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.

Segment Information
The Group considers investment holding and the energy and oil and gas exploration as its primary activities. The Group has no geographical segmentation as the Group's operating business segments are neither organized nor managed by geographical segment.

Provisions and Contingencies
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefit is probable.

Events After the Reporting Date
Post year-end events that provide additional information about the Group's position at the end of financial reporting period (adjusting events) are reflected in the Parent Company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates

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

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

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

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

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

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 of December 31, 2013, the Group assessed that there were no impairment indicators on its property and equipment. The carrying value of property and equipment, net of accumulated depreciation and amortization amounted to ₱27,859,819 and ₱34,167,479 as of December 31, 2013 and 2012, respectively (see Note 12).

Impairment of other noncurrent assets
The Group assesses impairment on other noncurrent assets when certain impairment indicators are present. Determining the value of other noncurrent assets, which require the determination of

future cash flows expected to be generated from the continued used and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that these assets may not be recoverable. Any resulting impairment loss could have a material adverse impact on financial condition and results of operations. There was no impairment loss recognized on other noncurrent assets as at December 31, 2013 and 2012.

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

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

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

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

There was no provision for impairment loss on deferred charges in 2013 and 2012 (see Note 11).

The carrying amount of deferred charges, net of allowance for impairment loss amounting to ₱45,742,635 as of December 31, 2013 and 2012, amounted to ₱85,535,082 and ₱45,185,414 as of December 31, 2013 and 2012, respectively (see Note 11).

Realizability of deferred income tax assets
Deferred income tax assets are recognized for all temporary deductible differences to the extent that it is probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Management has determined based on business forecast of succeeding years that there is no sufficient future taxable profits against which the deferred income tax assets will be utilized except for the deferred income tax assets related to the provision for impairment loss, unrealized foreign exchange losses and fair value adjustments on AFS financial assets and some portion of NOLCO.

The Group recognized deferred income tax assets amounting to ₱2,676,212 and ₱14,700,720 as of December 31, 2013 and 2012, respectively (see Note 21).

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

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

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

Allowance for impairment on unquoted investment in shares of stock amounted to ₱4,090,435 as of December 31, 2013 and 2012. (see Note 7).

The carrying value of the Group's AFS financial assets amounted to ₱451,425,196 and ₱305,867,784 as of December 31, 2013 and 2012, respectively (see Note 7).

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

The carrying value of receivables, net of allowance for impairment of accounts receivable amounting to ₱2,732,947 as at December 31, 2013 and 2012, amounted to ₱3,031,899 and ₱45,450,565 as of December 31, 2013 and 2012, respectively (see Note 6).

Estimation of useful lives of property and equipment
The Group estimates the useful lives of their property and equipment based on the period over which the assets are expected to be available for use. The Group annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment would increase depreciation expense and decrease noncurrent assets. The depreciation expense recognized during 2013, 2012 and 2011 amounted to ₱3,264,564, ₱3,642,532 and ₱3,320,565, respectively (see Note 12).

Estimation of fair value of unquoted equity securities classified as AFS financial assets
Management believes that while the range of reasonable fair value estimates is significant, the probabilities of the various estimates cannot be reasonably assessed given the unquoted nature of these equity investments. As a result, the Group carries these financial assets at cost less any impairment in value. As of December 31, 2013 and 2012, unquoted equity securities amounted to ₱54,648,364 and ₱135,248, respectively (see Note 7). Allowance for impairment losses on AFS financial assets amounted to ₱4,090,435 as of December 31, 2013 and 2012 (see Note 7).

Estimation of retirement benefits
The cost of defined benefit pension plans as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. The assumptions made by the Group resulted in accrued retirement benefits amounting to ₱7,967,637 and ₱7,913,772 as of December 31, 2013 and 2012, respectively (see Note 20).

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

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

Determination of revalued amount of condominium units
The Group engaged an independent valuation specialist to determine the fair value of office condominium. Management agrees with the valuer's estimate of the fair value of the office condominium using the sales comparison approach. The revalued amount of the office condominium as of June 8, 2012 amounted to ₱25,250,000. Revaluation increase on office condominium recognized in other comprehensive income in 2012 amounted to ₱7,721,195, net of the applicable tax. Net book value of revalued office condominium amounted to ₱22,687,313 and ₱24,370,645 as of December 31, 2013 and 2012, respectively (see Note 12).

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

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

The Group recognized a fair value adjustment on its investments properties totaling ₱2,155,000 and ₱73,393,045 as of December 31, 2013 and 2012, respectively. The fair value adjustments on its investment properties are based on the latest appraisal reports in 2012 for the land in Bolinao, Pangasinan, San Fabian, Pangasinan and Tanay, Rizal, and latest appraisal report in 2013 for the land in Gutalac, Zamboanga del Norte. The fair value of the Group's investment properties amounted to ₱200,634,343 and ₱193,479,343 as of December 31, 2013 and 2012, respectively (see Note 8).

4. **Status of Investments and Management's Outlook**

Sale of BPMI
On April 3, 2006, the Parent Company entered into a Sale and Purchase Agreement (SPA) covering the sale of the entire interest in its wholly owned subsidiary, Basic Petroleum & Minerals, Inc. (BPMI) to Forum Energy PLC (FEP), for a total consideration of US$17,000,000. Of this amount, US$5,000,000 was in cash and FEP shares and US$12,000,000 was payable upon FEP's utilization of the historical cost recoveries of BPMI and upon oil production by FEP in excess of 5,420,000 barrels. By April, 2007, the Parent Company received full payment and delivery of the first tranche of US$5,000,000. The amount of US$10,000,000 was due upon FEP's utilization of the historical cost recovery accounts of BPMI and the amount of US$2,000,000 was due, in staggered basis, upon production of 5,240,000 barrels of oil in the service contracts that are part of the sale of BPMI.

In 2008, the Parent Company declared FEP in default and the receivables from FEP were the subject of arbitration proceedings between the Parent Company and FEP. On June 14, 2012, the Ad-Hoc Arbitration Tribunal rendered its decision in favor of the Parent Company and awarded payment by Forum of the balance of the share of the Parent Company in the historical cost recoveries received by Forum on the oil assets sold to Forum under the SPA and directed the parties to cause the election of the Parent Company's nominee to FEP's Board until full payment of FEP's obligations to the Parent Company. Even prior to the arbitration award, the parties has been in continuing discussions on a global settlement on all issues pertaining to the SPA, as the arbitration proceedings covered only the Parent Company's claim for its share in historical cost recoveries and a global settlement would be beneficial to both parties. Subsequently, the parties entered into a Compromise Agreement covering settlement of the aforementioned award by the Ad-Hoc Arbitration Tribunal in favor of the Parent Company and other claims under the SPA. Under the agreement, Forum will pay the Parent Company an aggregate amount of US$4,400,000 and the Parent Company agreed not to nominate a representative to the FEP Board. As of December 31, 2013, FEP had settled all its obligations to the Parent Company.

The total settlement amount due to the Parent Company of ₱186,567,854 (US$4,400,000) was recorded in 2012 as "Income from previous sale of BPMI" in the consolidated statement of comprehensive income. The remaining balance of the settlement proceeds amounted to ₱41,050,000 (US$1,000,000) as of December 31, 2012, which amount was fully paid by FEP as of December 31, 2013 (see Note 6).

On December 20, 2013, the Parent Company received the payment of the US$1,000,000.

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

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

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

In 2009, the Parent Company along with its partners, continued exploration efforts in this service contract. The Department of Energy approved the seismic program commitment under sub-phase 2 (January 2008 to January 2010). The 2D seismic survey was carried out by CGG Veritas from August 19-29, 2009 covering a total of 1,091.6 kms at a cost of US$637,417. On August 14, 2009, the DOE approved the relinquishment of 25% of the original area of the service contract, reducing the area to 1,098,000 hectares, where the islands of Caluya, Sibay and Semirara were retained.

Previous work programs involved the processing and interpretation of the seismic data which have resulted in the identification of some leads and prospects and the conduct of the technical evaluation of data acquired from the seismic program. Early this year, PNOC-EC requested the Department of Energy for the approval of its proposed work program for Sub-Phase 3 to cover a period of three (3) years and which will involve a 2-year geological and geophysical work and the drilling of one exploration well on the third and final year. Estimated cost for this program is US$70,000,000. The Parent Company has a 1% interest in this service contract.

SC 53 (Onshore Mindoro)
SC 53 was awarded by the DOE on July 8, 2005, for a ten years exploration period. It covers 6,600 sq. km. of the onshore areas of Mindoro Island which is within the 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 to acquire 35% from its 70% participating interest. In November 11, 2011, Pitkin reported that Sub-Phase 1, which was to end March 6, 2012, was fulfilled with the completion of the 200 kilometers of seismic data. Sub-Phase 2 which carries a minimum work obligation of 2 wells and a financial commitment of US$2,000,000, have been extended up to the resolution of the complaint filed by Famatodi, Inc., an organization of indigenous peoples in Mindoro and the issuance of the Certificate of Precondition by the National Commission of Indigenous Peoples.

The consortium agreed to drill Progreso-2 to fulfil one of the 2 well obligations and the planned geology and geophysical works will be negotiated as fulfilment of the second well. For this phase, the approved firm budget amounts to US$8,400,000 and the contingent budget amounts to US$6,140,000. Preparations are on-going for the drilling of Progreso-2, with a target spud date in October, 2014. The Parent Company has a 3% participation in this service contract.

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

PT BES acquired the rights to manage ten (10) wells in the area, with the objective of rehabilitating these wells for possible limited oil production. Drilling operations are on-going to target maximum depths of 390 to 400 meters. The Parent Company has budgeted for 2014 US$2,500,000 for this project.

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

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

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

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

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

For this service contract, the work program is currently on Sub-Phase 3 which involves the drilling of one (1) exploratory well by 2015. Estimated costs for this work program is ₱166,000,000.

Trans-Asia Energy Corporation has committed to a 10% participating interest in this project, with an option to increase up to 40% participating interest, subject to the results of a gravity survey which it will undertake. Discussions are on-going with prospective drilling contractors and project management service providers.

New GSCs

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

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

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

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

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

Hydropower Service Contracts (HSCs)

The Parent Company is likewise involved in the exploration, development and production of hydro-power 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 R.A. 9513 (Renewable Energy Act of 2008).

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

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

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

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

These service contracts carry a two-years non-extendible period for pre-development. For the first year program, these projects are undergoing evaluation of existing data, permitting and coordination with the local government units involved. Estimated costs for the first year work programs for these service contracts is ₱7,200,000.

The full recovery of the deferred charges, amounting to ₱85,535,082 and ₱45,185,414 as of December 31, 2013 and 2012, respectively, incurred in connection with the Parent Company's participation in the acquisition, exploration and development of petroleum concessions is dependent upon the discovery of oil and gas and other renewable resources in commercial quantities from the respective contract areas and the success of future developments thereof (see Note 11).

5. Cash and Cash Equivalents

	2013	2012
Cash on hand and in banks	**₱68,938,616**	₱59,971,719
Cash equivalents	**11,604,158**	142,465,280
	₱80,542,774	₱202,436,999

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

Interest income amounted to ₱2,530,679, ₱11,026,845 and ₱11,039,782 in 2013, 2012 and 2011, respectively (see Note 17).

The Group has United States dollar (US$) and Indonesian Rupiah (IDR) denominated cash with banks amounting to US$1,463,831 and US$1,408,626 as at December 31, 2013 and 2012, respectively, and IDR60,456,142 as at December 31, 2012 (see Note 25).

6. Receivables

	2013	2012
Interest receivable	**₱1,693,932**	₱2,033,495
Receivable from FEP (Note 4)	–	41,050,000
Other receivables	**4,070,914**	5,100,017
	5,764,846	48,183,512
Less allowance for impairment	**(2,732,947)**	(2,732,947)
	₱3,031,899	₱45,450,565

Other receivable arises from short-term, noninterest-bearing transactions of the Group.

Movements in allowance for impairment on other receivables are as follows:

	2013	2012
Beginning balances	**₱2,732,947**	₱2,144,572
Provision for the year (Note 19)	–	588,375
Ending balances	**₱2,732,947**	₱2,732,947

7. AFS Financial Assets

	2013	2012
Debt securities - quoted, at fair value	**₱317,960,235**	₱262,669,089
Investments in shares of stock:		
Quoted	**78,816,597**	43,063,447
Unquoted	**54,648,364**	135,248
	133,464,961	43,198,695
	₱451,425,196	₱305,867,784

Quoted instruments are carried at fair market value as at end of reporting period. Unquoted equity instruments are carried at cost as at end of reporting period, since the fair values cannot be reliably measured.

The cost of debt securities which are stated at fair value amounted to ₱281,921,267 and ₱243,728,795 as of December 31, 2013 and 2012, respectively. Interest rates on these AFS debt securities range from 5.80% to 8.13%. Interest income earned on these securities amounted to ₱15,969,439, ₱6,340,763 and ₱192,855 in 2013, 2012 and 2011, respectively (see Note 17).

The movements in unrealized gains (losses) in respect of quoted AFS financial assets in 2013 and 2012 follow:

	2013	2012
Beginning balances	**₱18,069,385**	(₱509,593)
Unrealized gain	**15,294,875**	18,578,978
Ending balances	**₱33,364,260**	₱18,069,385

Unquoted equity securities include unlisted shares of stock with total cost of ₱58,738,799 and ₱4,225,683 which the Company will continue to carry as part of its investments. These are carried at cost less allowance for impairment losses. The movement in allowance for impairment loss are as follows:

	2013	2012
Beginning balances	**₱4,090,435**	₱902,032
Provision for the year	**–**	3,188,403
Ending balances	**₱4,090,435**	₱4,090,435

8. Investment Properties

	2013	2012
Acquisition cost	**₱120,086,298**	₱120,086,298
Additions	**5,000,000**	–
	125,086,298	120,086,298
Accumulated unrealized gain on investment properties:		
Beginning balances	**73,393,045**	–
Unrealized valuation gain on investment property	**2,155,000**	73,393,045
	75,548,045	73,393,045
Ending balances	**₱200,634,343**	₱193,479,343

Investment properties consisting of land are stated at fair value, which has been determined based on valuations performed by Vitale Valuation Services, Inc., an independent firm of appraisers, as of November 29, 2012 for Bolinao and San Fabian, Pangasinan, as of December 3, 2012 for Tanay, Rizal, and as of May 29, 2013 for Gutalac, Zamboanga del Norte. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair valuation was estimated through the income approach; categorized as level 3 using the generally accepted sales comparison.

Direct operating expenses related to the investment properties include real property taxes paid in 2013, 2012 and 2011 amounting to ₱354,858, ₱268,146 and ₱267,047, respectively.

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

9. Biological Assets - Standing Crops and Agricultural Produce

On August 15, 2011, BEFI decided to suspend its operations and wrote-off the remaining balance of biological assets resulting in a loss amounting to ₱3,474,404 which is recorded under "Other costs and expenses" account in the 2011 profit or loss.

Sales of cassava tubers amounted to ₱1,731,720 in 2011.

10. Project Development Costs

Project development costs include costs incurred related to BBC's ethanol plant project located at Gutalac, Zamboanga del Norte. The project consists of approximately 9,000 hectares of land for the sugarcane farm and a fully integrated ethanol plant with a capacity of 200,000 liters of ethanol/day, with a carbon dioxide production plant having a capacity of 50 tons/day, a 6 megawatt power plant and a 3,000 metric tons/day sugar mill.

BBC determined that the cost of its project development cost exceed its recoverable amount hence, the Company recognized impairment loss amounting ₱59,731,677 to fully impair the asset in 2011 with cost of ₱59,731,677 as of December 31, 2013 and 2012.

11. Deferred Charges

The movements in deferred charges follow:

	2013	2012
Beginning balances	**₱90,928,049**	₱86,423,090
Additions	**40,349,668**	4,504,959
	131,277,717	90,928,049
Less allowance for impairment loss	**45,742,635**	45,742,635
Ending balances	**₱85,535,082**	₱45,185,414

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

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

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

The term of the GSC is for five years from the effective date consisting of three subphases, renewable for another two years.
The 4 new GSCs this year start with a five-year pre-development stage. Afterwards, the developer has to declare commerciality before proceeding to development stage. The second phase can run from 25 to as long as 50 years, depending on results of exploration tests.

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

12. Property and Equipment

At cost:

2013

	Land	Office Equipment, Furniture and Fixtures	Building and Leasehold Improvement	Transportation Equipment	Total
Cost:					
Beginning balances	**₱3,500,000**	**₱9,559,215**	**₱5,156,648**	**₱6,425,195**	**₱24,641,058**
Additions	–	359,164	–	97,740	456,904
Reclassification	(3,500,000)	–	–	–	(3,500,000)
Ending balances	–	9,918,379	5,156,648	6,522,935	21,597,962
Accumulated Depreciation:					
Beginning balances	–	8,897,824	3,463,793	2,482,607	14,844,224
Depreciation (Note 19)	–	392,163	172,025	1,017,044	1,581,232
Ending balances	–	9,289,987	3,635,818	3,499,651	16,425,456
Net book values	**₱–**	**₱628,392**	**₱1,520,830**	**₱3,023,284**	**₱5,172,506**

2012

	Land	Office Equipment, Furniture and Fixtures	Farm Equipment	Building and Leasehold Improvement	Transportation Equipment	Total
Cost:						
Beginning balances	₱3,500,000	₱10,214,383	₱8,744,380	₱5,156,648	₱4,542,730	₱32,158,141
Additions	–	192,552	–	–	3,173,240	3,365,792
Disposals	–	847,720	8,744,380	–	1,290,775	10,882,875
Ending balances	3,500,000	9,559,215	–	5,156,648	6,425,195	24,641,058
Accumulated Depreciation:						
Beginning balances	–	9,330,007	4,346,695	3,291,768	2,258,174	19,226,644
Depreciation (Note 19)	–	343,107	492,992	172,025	1,064,777	2,072,901
Disposals	–	775,290	4,839,687	–	840,344	6,455,321
Ending balances	–	8,897,824	–	3,463,793	2,482,607	14,844,224
Net book values	₱3,500,000	₱661,391	₱–	₱1,692,855	₱3,942,588	₱9,796,834

At revalued amount:

	2013	2012
Revalued Amount	**₱25,250,000**	₱25,250,000
Accumulated Depreciation		
Beginning balances	**879,355**	11,670,012
Reversal due to revaluation	–	(12,360,288)
Depreciation (Note 19)	**1,683,332**	1,569,631
Ending balances	**2,562,687**	879,355
Net Book Values	**₱22,687,313**	₱24,370,645

The land located in Imelda, Gutalac, Zamboanga del Norte was reclassified by the Group in 2013 as investment properties from property and equipment.

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

Increase in revaluation of office condominium, net of deferred income tax liability, amounted to ₱7,721,195 in 2012 which is presented under "Revaluation increment in office condominium" account in the 2012 consolidated statement of comprehensive income. Revaluation increment in office condominium as of December 31, 2013 and 2012 amounted to ₱15,809,309 and ₱17,059,457, 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, 2013 and 2012 would be as follows:

	2013	2012
Cost	**₱1,730,010**	₱1,730,010
Accumulated depreciation	**(692,004)**	(576,670)
	₱1,038,006	₱1,153,340

The cost of the Group's fully depreciated assets still in use amounted to ₱11,021,028 and ₱10,099,014 as of December 31, 2013 and 2012, respectively.

13. Accounts Payable and Accrued Expenses

	2013	2012
Accounts payable	**₱978,557**	₱1,163,608
Dividends payable	**888,714**	888,714
Income tax payable	**45,827**	–
Other payables	**674,223**	460,936
	₱2,587,321	₱2,513,258

Accounts payable consists of short-term and noninterest-bearing trade payables to the Group's local suppliers with an average credit terms of 30 days. Dividend payable pertains to dividends not yet claimed by shareholders since December 31, 1999. Other payables are liabilities to various government agencies generally payable within 30 days.

14. Equity

Capital Stock

The details of the capital stock are as follows:

2013

	No. of Shares	Amount
Authorized - ₱0.25 par value	**10,000,000,000**	**₱2,500,000,000**
Unissued	**(8,241,854,545)**	**(2,060,463,636)**
Issued	**1,758,145,455**	**439,536,364**
Subscribed	**2,646,848,057**	**661,712,014**
Subscriptions receivable	**(1,877,230,000)**	**(469,307,500)**
	769,618,057	**192,404,514**
	2,527,763,512	**₱631,940,878**

2012

	No. of Shares	Amount
Authorized - ₱0.25 par value	10,000,000,000	₱2,500,000,000
Unissued	(8,241,854,545)	(2,060,463,636)
Issued	1,758,145,455	439,536,364
Subscribed	2,146,848,057	536,712,014
Subscriptions receivable	(1,462,500,000)	(365,625,000)
	684,348,057	171,087,014
	2,442,493,512	₱610,623,378

The movements on shares outstanding in 2013 and 2012 are as follows:

	2013	2012
Beginning balances	**2,442,493,512**	2,442,493,512
Payment of subscription	**85,270,000**	–
Ending balances	**2,527,763,512**	2,442,493,512

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

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

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

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

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

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

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

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

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

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

h. On September 8, 2011, the SEC approved the Stock Option Plan of the Parent Company granting directors, members of the advisory board, officers and employees of the Parent Company options to purchase, at the par value of 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, 2013, additional 58.57 million shares have been paid and listed in the Philippine Stock Exchange.

Stock Option Plan

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

The Basic terms and conditions of the ESOP are:

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

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

There was no new SOP granted in 2013 and 2012.

The following table illustrates the number of, and movements in, stock options:

	Number of Options		Weighted Average Exercise Price	
	2013	2012	**2013**	2012
January 1	**500,000,000**	500,000,000	**₱0.25**	₱0.25
Exercised	**(500,000,000)**	–	**0.25**	–
December 31	–	500,000,000	**₱–**	₱0.25

15. Treasury Stock

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

16. Group Information

Subsidiary with material non-controlling interest

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

The Parent Company, through Grandway, incorporated PT BES to carry out its oil well business in Indonesia. The Group owns 67% equity interest in PT BES.

The summarized financial information of SRI, Grandway and PTBES are as follows:

	SRI	Grandway	PT BES
Non-controlling interest	27.42%	30.00%	33.50%
Financial position:			
Current assets	₱13,831	₱341,609	₱253,476
Non-current assets	–	51,490,451	39,488,472
Current liabilities	(126,608)	(52,153,246)	(51,049,952)
Non-current liabilities	–	–	–
CTA	–	14,219	(1,523,439)
Attributable to equity holders of Parent	(81,742)	(229,096)	(7,009,470)
Non-controlling interest	(31,035)	(92,090)	(4,298,534)
Total equity	(₱112,777)	(₱306,967)	(₱12,831,443)

	SRI	Grandway	PT BES
Financial performance:			
General and administrative expense	₱13,796	₱306,971	₱12,834,056
Other income	(121)	(4)	(2,959)
Provision for final tax	24	–	346
Group's share in net loss for the year	82,523	214,877	8,532,909
Non-controlling interest share in net loss for the year	31,176	92,090	4,298,534
Net loss	₱13,699	₱306,967	₱12,831,443
Cash flow:			
Operating activities	(₱42,325)	₱51,846,279	₱38,206,266
Investing activities	–	(51,490,451)	(39,738,641)
Financing activities	–	–	–
Net increase (decrease) in cash and cash equivalents	(₱42,325)	₱355,828	(₱1,532,375)

17. **Interest Income**

	2013	2012	2011
Interest income on:			
AFS financial assets - debt securities (Note 7)	**₱15,969,439**	₱6,340,763	₱192,855
Cash and cash equivalents (Note 5)	**2,530,679**	11,026,845	11,039,782
Short-term cash investments	–	282,379	32,149
Long-term cash investment	–	57,379	–
	₱18,500,118	₱17,707,366	₱11,264,786

18. **Related Party Transactions and Relationships**

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

Compensation of Key Management Personnel

a. Shares of stock of the Parent Company held by members of the BOD aggregated to 114,497,245 and 35,777,245 as at December 31, 2013 and 2012, respectively.

b. Compensation of key management personnel consists of short-term employee benefits and post-employment benefits. Short-term employee benefits amounted to ₱10.1 million, ₱11.9 million and ₱10.9 million in 2013, 2012 and 2011, respectively, while, post-employment benefits amounted to ₱4.3 million, ₱3.05 million and ₱1.8 million in 2013, 2012 and 2011, respectively.

Directors' remuneration consists only of per diems for attendance at the BOD and Committee meetings. In 2013, 2012 and 2011, total per diems received by the members of the BOD amounted to ₱1.88 million, ₱2.72 million and ₱2.06 million, respectively. There is no existing compensatory plan or arrangement for directors of the Parent Company.

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

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

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

2013

	Investments	**Allowance for Impairment**	**Total**	**Advances**	**Allowance for Impairment**	**Total**
BDIHI	**₱227,085,800**	**₱227,085,800**	**₱–**	**₱21,548,721**	**₱21,439,342**	**₱109,379**
SWR	**75,341,250**	**75,341,250**	–	**100,005**	–	**100,005**
BBC	**64,000,000**	**64,000,000**	–	**5,738,370**	**5,584,083**	**154,287**
iBasic	**53,547,840**	**53,547,840**	–	**3,572,039**	**3,346,880**	**225,159**
BGI	**20,000,000**	–	**20,000,000**	–	–	–
BEFI	**20,000,000**	**20,000,000**	–	**36,975,000**	**36,975,000**	–
Grandway	–	–	–	**52,372,365**	–	**52,372,365**
	₱459,974,890	**₱439,974,890**	**₱20,000,000**	**₱120,306,500**	**₱67,345,305**	**₱52,961,195**

2012

	Investments	Allowance for Impairment	Total	Advances	Allowance for Impairment	Total
BDIHI	₱227,085,800	₱227,085,800	₱–	₱21,453,057	₱21,439,342	₱13,715
SWR	75,341,250	75,341,250	–	–	–	–
BBC	64,000,000	64,000,000	–	5,584,083	5,584,083	–
iBasic	53,547,840	53,547,840	–	3,386,610	3,346,880	39,730
BGI	20,000,000	–	20,000,000	–	–	–
BEFI	20,000,000	20,000,000	–	36,975,000	36,975,000	–
	₱459,974,890	₱439,974,890	₱20,000,000	₱67,398,750	₱67,345,305	₱53,445

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

Nature of Transaction	Amount of Transactions 2013	Amount of Transactions 2012	Outstanding Receivable Balance 2013	Outstanding Receivable Balance 2012	Terms and Conditions
BEFI					
Advances	**₱–**	₱–	**₱36,975,000**	₱36,975,000	*(a)*, (e)
Collection of advances	–	1,000,000			
BDIHI					
Advances	**111,727**	94,891	**21,548,721**	21,453,057	*(a)*, *(b)*
Collection of advances	**16,063**	–			
BBC					
Advances	**156,941**	104,591	**5,738,370**	5,584,083	*(a)*, *(d)*
Collection of advances	**2,654**	–			
iBasic					
Advances	**185,429**	125,467	**3,572,039**	3,386,610	*(a)*, *(c)*
BGI					
Advances	**86,944**	6,124	**–**	–	*(a)*
Collection of advances	**86,944**	3,257,969			
SWR					
Advances	**116,709**	67,177	**100,005**	–	*(a)*, (f)
Collection of advances	**16,704**	86,385	**–**	–	
Grandway					
Advances	**52,372,365**	–	**52,372,365**	–	
			120,360,500	67,398,750	
Less: allowance for impairment			**67,345,305**	67,345,305	
			₱52,961,195	₱53,445	

(a) Noninterest bearing, unsecured advances, due and demandable
(b) With allowance for impairment loss amounting to ₱21,439,342 as at December 31, 2013 and 2012
(c) With allowance for impairment loss amounting to ₱3,346,880 as at December 31, 2013 and 2012
(d) With allowance for impairment loss amounting to ₱5,584,083 as at December 31, 2013 and 2012
(e) With allowance for impairment loss amounting to ₱36,975 as at December 31, 2013 and 2012
(f) No impairment loss as of December 31, 2013.

Allowance for impairment loss on investment in subsidiaries amounted to ₱439,974,890 as at December 31, 2013 and 2012. No provision for impairment loss was recognized in 2013 and 2012.

Movement in the allowance for impairment on advances to subsidiaries as follows:

	2013	2012
Beginning balances	**₱67,345,305**	₱68,073,801
Recovery of advances to BEFI	**–**	(1,000,000)
Provision	**–**	271,504
Ending balances	**₱67,345,305**	₱67,345,305

Transactions with Retirement Benefit Fund

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

b. The carrying amount and fair value of the retirement benefit fund as of December 31, 2013 and 2012 amounted to ₱5,918,763 and ₱3,459,328, respectively (see Note 20).

c. The assets and investments of the retirement benefit fund as of December 31, 2013 and 2012 follows:

	2013	2012
Special savings deposits	**₱1,895,578**	₱2,557,000
Investment in unit investment trust fund	**1,928,616**	578,361
Investments in bonds	**2,076,808**	520,777
Others	**17,761**	3,190
	₱5,918,763	₱3,659,328

d. In 2013 and 2012, the Parent Company contributed ₱2,500,000 to the retirement benefit fund (see Note 20).

19. General and Administrative Expenses

	2013	2012 (As restated, see Note 2)	2011 (As restated, see Note 2)
Personnel:			
Salaries and wages	**₱13,431,877**	₱14,281,245	₱15,177,229
Other employee benefits	**4,125,341**	7,912,734	3,977,579
Retirement benefits cost	**3,504,951**	3,147,942	1,545,463
Outside Services	**9,517,304**	–	–
Depreciation (Note 12)	**3,264,564**	3,642,532	3,320,565
Taxes and licenses	**3,133,226**	1,130,770	1,429,069
Transportation and travel	**3,054,013**	4,348,504	3,918,400
Professional fees	**2,056,846**	957,196	1,155,124
Representation and entertainment	**2,709,818**	4,643,108	2,675,620
Utilities	**826,642**	897,430	707,605
Annual stockholders meeting	**804,763**	704,205	–
Communication	**802,892**	602,201	706,542
Rent	**510,960**	–	–
Office supplies	**342,334**	278,290	301,551
Donation	**300,000**	31,000	–
Repairs and maintenance	**226,605**	180,144	122,525
Association and membership dues	**219,385**	105,273	93,667
Arbitration and legal fees	–	2,789,877	5,514,720
Provision for impairment of receivables (Note 6)	–	588,375	–
Others	**1,699,238**	3,142,757	1,211,675
	₱50,530,759	₱49,383,583	₱41,857,334

20. Retirement Benefits

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

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

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

2013	**Defined Benefit Liability**	**Fair Value of Plan Assets**	**Net Defined Benefit Liability**
At January 1	**₱11,573,100**	**(₱3,659,328)**	**₱7,913,772**
Interest cost (income)	**541,147**	**(247,010)**	**294,137**
Current service cost	**3,210,814**	**–**	**3,210,814**
	3,751,961	**(247,010)**	**3,504,951**
Actuarial losses (gains):			
Change in financial assumptions	**871,900**	**–**	**871,900**
Remeasurement gain (loss)	**–**	**(37,796)**	**(37,796)**
Changes in demographic assumption	**(1,785,190)**	**–**	**(1,785,190)**
	(913,290)	**(37,796)**	**(951,086)**
Benefits paid	**(525,371)**	**525,371**	**–**
Contributions	**–**	**(2,500,000)**	**(2,500,000)**
At December 31	**₱13,886,400**	**(₱5,918,763)**	**₱7,967,637**

2012	Defined Benefit Liability	Fair Value of Plan Assets	Net Defined Benefit Liability
At January 1	₱7,118,000	(₱1,002,500)	₱6,115,500
Interest cost/income	486,159	(68,471)	417,688
Current service cost	2,730,254	–	2,730,254
	3,216,413	(68,471)	3,147,942
Actuarial losses (gains):			
Change in financial assumptions	1,074,400	–	1,074,400
Experience adjustment	280,987	–	280,987
Remeasurement gain/loss	–	(88,357)	(88,357)
Changes in demographic assumption	(116,700)	–	(116,700)
	1,238,687	(88,357)	1,150,330
Contributions	–	(2,500,000)	(2,500,000)
At December 31	₱11,573,100	(₱3,659,328)	₱7,913,772

2011	Defined Benefit Liability	Fair Value of Plan Assets	Net Defined Benefit Liability
At January 1	₱2,356,300	(₱858,600)	₱1,497,700
Interest cost/income	221,000	(77,300)	143,700
Current service cost	1,405,000	–	1,405,000
	1,626,000	(77,300)	1,548,700
Actuarial losses (gains):			
Change in finxancial assumptions	3,135,700	–	3,135,700
Changes in demographic assumption	–	(66,600)	(66,600)
	3,135,700	(66,600)	3,069,100
At December 31	₱7,118,000	(₱(1,002,500)	₱6,115,500

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

	2013	2012
Money market investments	**68%**	98%
Cash in bank and other receivables	**32%**	2%
	100.00%	100.00%

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

	2013	2012
Discount rate	**5.52%**	6.83%
Salary projection rate	**8.00%**	8.00%

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

	Increase (Decrease)	Salary Increase Rate
Discount rate	14.70%	₱4,629,745
	(12.10%)	(₱3,805,000)
Future salary increase	13.50%	₱4,245,005
	(11.40%)	(₱3,580,450)

The Group expects to contribute ₱2,500,000 to the defined benefit pension plan in 2014.

21. Income Taxes

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

b. Provision for income tax consists of:

	2013	2012 (As restated, see Note 2)	2011 (As restated, see Note 2)
Current	**₱45,827**	₱102,770	₱172,248
Deferred	**3,429,817**	(868,862)	15,846
	3,475,644	(766,092)	188,094
Final tax	**3,679,807**	3,480,804	2,207,689
Capital gains tax (Note 4)	–	12,589,629	–
	₱7,155,451	₱15,304,341	₱2,395,783

c. The components of net deferred income tax liabilities recognized by the Group as of December 31, 2013 and 2012 are as follows:

	2013	2012 (As restated, see Note 2)
Deferred income tax assets on:		
Accrued retirement benefits	**₱2,390,291**	₱2,374,132
NOLCO	**210,054**	10,798,613
Other payables	**75,867**	–
Unrealized foreign exchange loss	–	1,227,532
Unrealized loss on AFS financial assets	–	300,443
	2,676,212	14,700,720
Deferred income tax liabilities on:		
Revaluation increment on office condominium	**6,775,416**	7,311,194
Unrealized foreign exchange gain	**2,067,981**	–
Revaluation increment on investment properties	–	9,541,120
	8,843,397	16,852,314
Net deferred income tax liabilities	**₱6,167,185**	₱2,151,594

As at December 31, 2013 and 2012, the Group has temporary difference 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:

	2013	2012
NOLCO	**₱122,571,672**	₱141,127,405
Allowance for impairment on:		
Deferred charges	**45,742,635**	45,742,635
AFS financial assets	**4,090,435**	4,090,435
Receivables	**2,732,947**	2,732,947
Pre-operating expenses	**3,415,997**	3,415,997
Excess of MCIT over RCIT	**313,574**	267,747

d. As of December 31, 2013, the Group has NOLCO and MCIT that can be utilized as deduction from future taxable income and income tax due, respectively, follow:

Year Incurred	NOLCO	Excess MCIT over RCIT	Expiry Year
2013	₱40,939,479	₱45,827	2016
2012	40,024,277	102,770	2015
2011	42,308,096	164,977	2014
	₱123,271,852	₱313,574	

NOLCO that expired in 2013, 2012 and 2011 amounted to ₱94,790,412, ₱32,790,994 and ₱73,581,570, respectively. Excess MCIT over RCIT that expired in 2013, 2012 and 2011 amounted to nil, ₱40,097 and ₱196,133, respectively.

For income tax purposes, the BGEC's and BBC's pre-operating expenses totaling ₱3,415,997 as of December 31, 2013 and 2012, respectively, will be amortized over five years from the start of commercial operations.

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

	2013	2012 (As restated; see Note 2)	2011 (As restated; see Note 2)
Income tax at statutory rates	**(₱5,997,064)**	₱78,252,897	₱35,625,114
Adjustments for:			
Movements of unrecognized deferred income tax assets	**14,031,739**	9,723,633	27,319,489
Interest and dividend income subject to final tax	**(935,696)**	(2,056,983)	(1,173,400)
Nondeductible expenses	**10,645**	1,793,484	–
MCIT	**45,827**	102,770	164,977
Income from previous sale of BPMI subject to capital gains tax	–	(67,486,755)	(59,540,397)
Effect of lower tax rate on fair value adjustments on investment properties	–	(17,614,334)	–
Capital gains tax	–	12,589,629	–
Provision for income tax	**₱7,155,451**	₱15,304,341	₱2,395,783

22. Basic/Diluted Earnings Per Share

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

	2013	2012 (As restated, see Note 2)	2011 (As restated, see Note 2)
Net income (loss) attributable to equity holders of the Parent Company (a)	**(₱22,723,865)**	₱245,556,552	₱116,375,241
Transaction cost on potential issuance of common shares	–	(625,000)	(625,000)
Net income attributable to holders of the Parent Company adjusted for the effect of dilution (b)	**(₱22,723,865)**	₱244,931,552	₱115,750,241
Weighted average number of shares for basic earnings per share (c)	**2,527,763,512**	2,442,493,512	2,442,493,512
Stock options (Note 18)	–	500,000,000	500,000,000
Weighted average number of shares adjusted for the effect of dilution (d)	**2,527,763,512**	2,942,493,512	2,942,493,512
Basic earnings (loss) per share (a/c)	**(₱0.009)**	₱0.101	₱0.048
Diluted earnings per share (b/d)	**(0.009)**	0.083	0.039

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.

23. Segment Information

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

As of December 31, 2013 and 2012, the Group has three main business segments - investment holding, agriculture and energy oil and gas exploration.

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

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

2013

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

2012

	Investment Holding	Energy, Oil and Gas Exploration	Agriculture	Eliminations	Total
Results:					
Income (loss) before income tax	₱262,667,869	₱397,530	(₱1,493,911)	(₱728,497)	₱260,842,991
Provision for income tax	15,174,240	127,067	3,034	–	15,304,341
Net income (loss)	₱247,493,629	₱270,463	(₱1,496,945)	(₱728,497)	₱245,538,650
Assets and Liabilities:					
Segment assets	₱602,203,531	₱70,664,627	₱951,483	(₱21,155,843)	₱652,663,798
Investment properties	193,479,343	–	–	–	193,479,343
Consolidated total assets	₱795,682,874	₱70,664,627	₱951,483	(₱21,155,843)	₱846,143,141
Consolidated total liabilities	₱37,140,107	₱5,795,167	₱37,042,100	(₱67,398,750)	₱12,578,624
Other Segment Information:					
Provision for impairment loss	₱3,776,778	₱–	₱–	₱–	₱3,776,778
Additions to property and equipment	3,365,792	–	–	–	3,365,792
Depreciation	2,892,146	–	750,386	–	3,642,532

December 31, 2011:

	Investment Holding	Energy, Oil and Gas Exploration	Agriculture	Eliminations	Total
Results:					
Income (loss) before income tax	₱49,693,768	(₱47,136,204)	(₱13,752,470)	₱129,945,287	₱118,750,381
Provision for income tax	2,384,942	9,561	1,280	–	2,395,783
Net income (loss)	₱47,308,826	(₱47,145,765)	(₱13,753,750)	₱129,945,287	₱116,354,598
Assets and Liabilities:					
Segment assets	₱400,445,645	₱67,444,875	₱3,618,236	(₱22,762,038)	₱448,746,718
Investment properties	120,086,298	–	–	–	120,086,299
Consolidated total assets	₱520,531,943	₱67,444,875	₱3,618,236	(₱22,762,038)	₱568,833,017
Consolidated total liabilities	₱37,147,787	₱8,962,252	₱38,211,908	(₱71,344,855)	₱12,977,092
Other Segment Information:					
Provision for impairment losses	₱129,945,287	₱46,731,677	₱2,588,970	(₱129,945,287)	₱49,320,647
Additions to property and equipment	2,707,719	–	29,220	–	2,736,939
Depreciation	2,304,278'	–	1,016,287	–	3,320,565

24. 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, discounted cash flow models and option pricing models, as appropriate.

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

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

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

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

Fair Value Hierarchy
As at December 31, 2013 and 2012, the following table presents the level of hierarchy of the Company's AFS debt and equity instruments:

	2013			2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Recurring fair value measurements:						
AFS Financial Assets						
Quoted debt securities	₱317,960,235	₱–	₱–	₱262,669,089	₱–	₱–
Quoted equity securities	78,816,364	–	–	43,063,447	–	–
Unquoted equity securities	–	–	54,648,364	–	–	135,248
	396,776,599	–	54,648,364	305,732,536	–	135,248
Investment properties	–	200,634,343	–	–	193,479,343	–
	₱396,776,599	₱200,634,343	₱54,648,364	₱305,732,536	₱193,479,343	₱135,248

Fair value of quoted debt and equity securities available-for-sale financial assets is derived from quoted market prices in active markets.

Fair value of investment properties are derived from appraisal reports.

As at December 31, 2013 and 2012, 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.

25. Financial Risk Management Objectives and Policies

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

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk and liquidity risk. The Group has no significant exposure to interest rate risk as of December 31, 2013 and 2012. The Group's overall risk management program focuses on minimizing the potential adverse effects on the Group's financial performance due to unpredictability of financial markets.

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

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

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

The Group's significant foreign currency-denominated financial assets as of December 31, 2013 and 2012 are as follows:

	2013		2012	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Assets:				
Cash and cash equivalents:				
US$	**1,463,831**	**₱64,986,777**	1,408,626	₱57,824,097
IDR	**60,456,142**	**217,642**	–	–
Receivable from FEP - US$	–	–	1,000,000	41,050,000
Short-term investments - US$	–	–	200,000	8,210,000
Long-term investment - US$	–	–	150,000	6,157,500
AFS financial assets:				
Quoted equity investments:				
US$	**9,000**	**399,555**	15,500	636,275
GBP	**8,300**	**605,045**	5,850	387,972
		₱66,209,019		₱114,265,844

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

	2013	2012
US$	**44.395**	41.05
GBP	**72.897**	66.32
IDR	**0.0036**	–

The following table summarizes the impact on the consolidated financial statements of reasonably possible changes in the exchange rates of foreign currencies against the Peso as at December 31, 2013 and 2012 until the Group's next financial reporting date:

	Change in US$ rate	Increase (decrease) in income before income tax
2013	**+ 8%**	**₱5,230,907**
	- 8%	**(5,230,907)**
2012	+ 6%	6,832,672
	- 6%	(6,832,672)

	Change in GBP rate	Increase (decrease) in income before income tax
2013	**+ 10%**	**₱60,505**
	- 10%	**(60,505)**
2012	+ 2%	7,759
	- 2%	(7,759)

	Change in IDR rate	Increase (decrease) in income before income tax
2013	**+ 16%**	**₱34,823**
	- 16%	**(34,823)**

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

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

The following table presents the effect on the consolidated financial statements of reasonably possible changes in market prices of AFS financial assets - quoted equity and debt securities as of December 31, 2013 and 2012 until the Group's next financial reporting date:

	Change in Quoted Prices of Investments Carried at Fair Value	Increase (decrease) in equity
2013		
AFS financial assets	**Increase by 9%**	**₱35,709,915**
AFS financial assets	**Decrease by 9%**	**(35,709,915)**
2012		
AFS financial assets	Increase by 9%	27,515,928
AFS financial assets	Decrease by 9%	27,515,928

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

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

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

	2013		
	Neither Past Due nor Impaired (Satisfactory)	Past Due And Impaired	Total
Loans and receivable:			
Cash and cash equivalents*	₱80,536,778	₱–	₱80,536,778
Receivables:			
Interest receivable	1,693,932	–	1,693,932
Other receivables	1,337,967	2,732,947	4,070,914
	3,031,899	2,732,947	5,764,846
AFS financial assets:			
Debt securities - quoted, at fair value	317,960,235	–	317,960,235
Quoted equity investments	78,816,597	–	78,816,597
Unquoted equity investments	54,648,364	4,090,435	58,738,799
	451,425,196	4,090,435	455,515,631
	₱534,993,873	₱6,823,382	₱541,817,255

**Excluding cash on hand.*

	2012		
	Neither Past Due nor Impaired (Satisfactory)	Past Due And Impaired	Total
Loans and receivable:			
Cash and cash equivalents*	₱202,425,948	₱–	₱202,425,948
Short-term cash investments	8,210,000	–	8,210,000
Receivables:			
Receivable from FEP	41,050,000	–	41,050,000
Interest receivable	2,033,495	–	2,033,495
Other receivables	2,367,070	2,732,947	5,100,017
Long-term cash investment	6,157,500	–	6,157,500
	51,608,065	2,732,947	54,341,012
AFS financial assets:			
Debt securities - quoted, at fair value	262,669,089	–	262,669,089
Unquoted equity investments	135,248	4,090,435	4,225,683
	262,804,337	4,090,435	266,894,772
	₱525,048,350	₱6,823,382	₱531,871,732

**Excluding cash on hand.*

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

Financial instruments classified as "high grade" are those cash and cash equivalents and cash investments transacted with reputable local and multi-national banks and receivables with some history of default on the agreed terms of the contract. AFS financial assets are considered "high grade" since these are invested in blue chip shares of stock. "Past due and impaired" are those that are long outstanding and has been fully provided with an allowance for doubtful accounts. There are no past due but not impaired receivables as of December 31, 2013 and 2012, respectively.

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

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

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

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

	2013			
	Less than 3 months	**More than 3 months but less than one year**	**More than one year**	**Total**
Financial assets				
Loans and receivable:				
Cash and cash equivalents	₱80,542,774	₱–	₱–	₱80,542,774
Receivables:				
Accrued interest receivable	1,693,932	–	–	1,693,932
Other receivables	1,337,967	–	–	1,337,967
	83,574,673	–	–	83,574,673
AFS financial assets - Quoted debt Securities	–	55,291,146	262,669,089	317,960,235
	83,574,673	55,291,146	262,669,089	401,534,908
Financial liabilities				
Loans and borrowings:				
Accounts payable and accrued expenses:				
Accounts payable	978,554	–	–	978,554
Dividends payable	–	888,714	–	888,714
	978,554	888,714	–	1,867,268
Net liquidity position	₱82,596,119	₱54,402,432	₱262,669,089	₱399,667,640

	2012			
	Less than 3 months	More than 3 months but less than one year	More than one year	Total
Financial assets				
Loans and receivable:				
Cash and cash equivalents	₱202,436,999	₱–	₱–	₱202,436,999
Short-term cash investments	–	8,210,000	–	8,210,000
Receivables:				
Receivable from FEP	41,050,000	–	–	41,050,000
Accrued interest receivable	2,033,495	–	–	2,033,495
Other receivables	2,367,070	–	–	2,367,070
Long-term cash investment	–	–	6,157,500	6,157,500
	247,887,564	8,210,000	6,157,500	262,255,064
AFS financial assets - Quoted debt Securities	–	–	262,669,089	262,669,089
	247,887,564	8,210,000	268,826,589	524,924,153
Financial liabilities				
Loans and borrowings:				
Accounts payable and accrued expenses:				
Accounts payable	1,163,608	–	–	1,163,608
Dividends payable	–	888,714	–	888,714
	1,163,608	888,714	–	2,052,322
Net liquidity position	₱246,723,956	₱7,321,286	₱268,826,589	₱522,871,831

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, 2013 and 2012.
Management of working capital focuses on short-term decisions relating to cash and cash equivalents and other current assets and liabilities. The goal of working capital management is to ensure that the Group is able to continue its business operations and that it has sufficient funds to satisfy maturing current liabilities and operating expenses.

As of December 31, 2013 and 2012, the Group is not subject to any externally imposed capital requirements.

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

	2013	2012
Capital stock	**₱631,940,878**	₱610,623,378
Additional paid-in capital	**32,699,360**	32,699,360
Retained earnings	**133,574,416**	155,048,133
	₱798,214,654	₱798,370,871

26. Supplementary Disclosures to Statement of Cash Flows

Non-cash activities in 2013 pertain to the following:

Financing activity	
Exercise of stock option	₱6,675,000
Decrease in deposits for future stock subscription	(6,675,000)

SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Basic Energy Corporation and its subsidiaries as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, included in this Form 17-A, and have issued our report thereon dated March 26, 2014. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-3 (Group A),
March 21, 2013, valid until March 20, 2016
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225164, January 2, 2014, Makati City

March 26, 2014

BASIC ENERGY CORPORATION AND SUBSIDIARIES
INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS PURSUANT TO SRC RULE 68 AS AMENDED

DECEMBER 31, 2013

	2013	2012
Profitability ratios:		
Return on assets	**(3%)**	29%
Return on equity	**(3%)**	29%
Net profit margin	**0%**	0%
Solvency and liquidity ratios:		
Current ratio	**32.95:1**	102.47:1
Debt to equity ratio	**0.02:1**	0.02:1
Quick ratio	**32.30:1**	101.90:1
Asset to equity ratio	**1.02:1**	1.02:1

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

Schedule A. Financial Assets

AFS financial assets

Description	Beginning balances	Additions at cost	Increase (decrease) in fair value, net	Ending balances
Debt securities – quoted, at fair value	₱243,921,267	₱38,000,000	₱36,038,968	₱317,960,235
Investments in shares of stock:				
Quoted	43,063,447	38,427,858	(2,674,708)	78,816,597
Unquoted	135,248	54,513,116	–	54,648,364
	43,198,695	92,940,974	(2,674,708)	133,464,961
	₱287,119,962	₱130,940,974	₱33,364,260	₱451,425,196

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

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	₱1,955	₱1,336,964	₱1,327,394	₱–	₱–	₱–	₱11,525

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

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
BEFI	₱36,975,000	₱–	₱–	₱–	₱–	₱–	₱36,975,000
BDIHI	₱21,453,057	₱111,727	₱16,063	₱–	₱–	₱–	₱21,548,721
BBC	₱5,584,083	₱156,941	₱2,654	₱–	₱–	₱–	₱5,738,370
iBasic	₱3,386,610	₱185,429	₱–	₱–	₱–	₱–	₱3,572,039
BGI	₱–	₱86,944	₱86,944	₱–	₱–	₱–	₱–
SWR	₱–	₱116,709	₱16,704	₱–	₱–	₱–	₱100,005
Grandway	₱–	₱52,372,365	₱–	₱–	₱–	₱–	₱52,372,365

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

Schedule D. Intangible Assets - Other Noncurrent Assets

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

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

Schedule E. Long Term Debt

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

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

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

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

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

Schedule G. Guarantees of Securities of Other Issuers

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

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

Schedule H. Capital Stock

				No of shares held by		
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	Affiliates	Directors and Officers	Others
Common shares	10,000,000,000	1,758,145,455	414,730,000	3,240,000	114,597,245	1,643,648,210

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION (Part 1, 4C; Annex 68-C)
DECEMBER 31, 2013

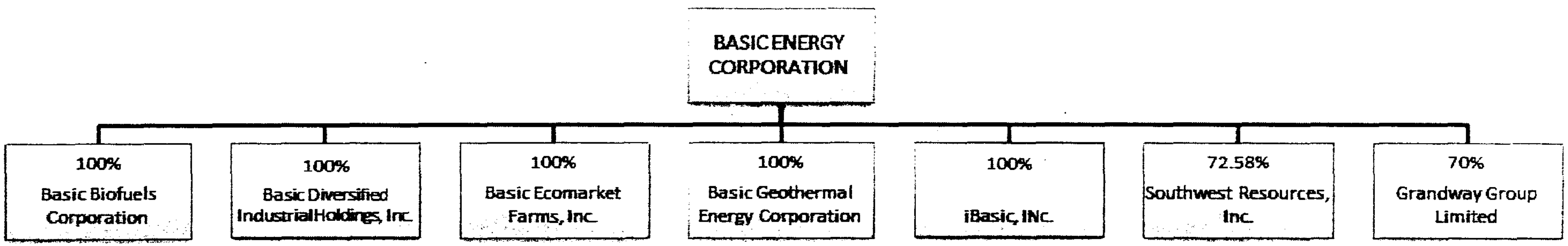
Unappropriated Retained Earnings, beginning		**₱72,573,979**
Fair value adjustment of investment property		(77,052,843)
Unappropriated Retained Earnings, as adjusted, beginning		(4,478,864)
Net loss during the period closed to retained earnings	(19,241,063)	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	1,112,122	
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	129,856	
Subtotal	1,241,978	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	1,250,148	
Adjustment due to deviation from PFRS/GAAP - loss	–	
Subtotal	1,250,148	
Net Income (Loss) Actual/Realized		(19,232,893)
Add (Less):		
Dividend declarations during the period	–	
Appropriations of retained earnings based on 10% of December 31, 2013 audited net income	–	
Reversals of appropriations	–	
Treasury shares	(3,240,000)	
Subtotal	(3,240,000)	
Unappropriated Retained Earnings, as adjusted, ending		**₱–***

**Unappropriated Retained Earnings amounts to (₱26,951,757)*

SCHEDULE III

BASIC ENERGY CORPORATION AND SUBSIDIARIES

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



BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS (PART 1, 4J)

List of Philippine Financial Reporting Standards (PFRS) [which consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&A's effective as of December 31, 2013:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2013**		Adopted	Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities		✓	
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
PAS 32	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture	✓		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

The Group has not early adopted any PFRSs, PAS and Philippine Interpretations effective January 1, 2014 onwards.

COVER SHEET

36359

SEC Registration Number

BASIC ENERGY CORPORATION
(FORMERLY BASIC PETROLEUM CORP.)

(Company's Full Name)

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

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

Marietta V. Villafuerte
(Contact Person)

(632) 817-8596 to 98
(Company Telephone Number)

12 31
Month *Day*
(Calendar Year)

17Q
(Form Type)

Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable
Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

I.C.T.D. SEC
APR 29 2014

1. For the quarterly period ended March 31, 2014

2. Commission identification number 168063

3.. BIR Tax Identification No. 000-438-702-000

4. Exact name of registrant as specified in its charter
BASIC ENERGY CORPORATION

5. Province, country or other jurisdiction of incorporation or organization Philippines

6. Industry classification code ....

7. Address of registrant's principal office 7th Flr., Basic Petroleum Bldg., C. Palanca St., Legaspi Village, Makati City, Philippines Postal Code 1229

8. Registrant's telephone number, including area code (632) 817-8596 to 98

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC

Title of Each Class	Number of shares of common stock outstanding or amount of debt outstanding
Common Shares	2,527,763,512
Listed with PSE	2,527,315,455

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

Yes [x] No [ ]

12. Indicate by check mark whether the registrant:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

"Attachment A"

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

"Attachment A"

PART II--OTHER INFORMATION

"Attachment A"

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

SIGNATURES

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

Registrant **CORAZON M. BEJASA**

Signature and Title **VP & Corporate Secretary**

Date **April 25 , 2014**

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

Signature and Title **VP & Treasurer**

Date **April 25, 2014**

ATTACHMENT "A"
FINANCIAL INFORMATION
For the Period Ended March 31, 2014

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, 2014 and March 31, 2013;
   1.2 Balance Sheets as of March 31, 2014 and December 31, 2013;
   1.3 Statements of Cash Flows for the Period Ended March 31, 2014 and March 31, 2013;
   1.4 Statements of Changes in Stockholders' Equity for the Period Ended March 31, 2014 and March 31, 2013.

2. **Discussion on Financial Condition for the Period December 31, 2013 to March 31, 2014.**

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 2014	1st Qtr 2013	1st Qtr 2012
Return on Investments (ROI) (Net Income/Ave.Stockholders' Equity)	-0.67%	-0.70%	5.43%
Profit Margin (Net Income/Net Revenue)	-94.43%	-124.83%	74.86%
Investment in Projects(Non-Petroleum) as a % of Total Assets	23.72%	22.64%	19.71%
Investment in Wells & Other Facilities as a % of Total Assets	10.71%	6.16%	6.98%
Current Ratio (Current Asset/Current Liabilities)	31.24:1	87.22:1	54.34:1
Asset turnover (Net revenue/Ave.Total Assets)	0.70%	0.55%	7.01%
Solvency Ratios Debt to Equity Ratio	2.10%	2.86%	3.35%
Asset to Equity Ratio	101.47%	102.86%	103.35%
Interest Rate Coverage Ratio	n/a	n/a	n/a

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

ROI of -0.67% for the 1st quarter of 2014 and -0.70% for the 1st quarter of 2013 both showed negative rates because of the net losses for the 1st quarter of both 2014 and 2013.

Profit Margin of -94.43% for the 1st quarter of 2014 and -124.83% for the 1st quarter of 2013 both showed negative rates because of the net losses for the 1st quarter of both 2014 and 2013.

Investment in Projects (Non- Petroleum) as a % of Total Assets increased from 22.64% for the 1st quarter of 2013 to 23.72% for the 1st quarter of 2014 because of the increase in investments due to fair value adjustments in 2014 compared to 2013.

Investment in Wells & Other Facilities as a % of Total Assets increased to 10.71% for the 1st quarter of 2014 from 6.16% for the 1st quarter of 2013 due to the increase in investments in 2014 compared 2013.

Current Ratio decreased to 31.24:1 for the 1st quarter of 2014 from 87.22:1 for the 1st quarter of 2013 due to the decreases in both current assets and current liabilities in 2014 compared to 2013.

Asset Turnover of 0.70% for the 1st quarter of 2014 slightly increased from 0.55% for the 1st quarter of 2013 due to the increase in revenue in 2014 compared to 2013.

Debt to Equity Ratio decreased from 2.86% for the 1st quarter of 2013 to 2.10% for the 1st quarter of 2014 due to the decrease in total liabilities in 2014 compared to 2013.

Asset to Equity Ratio decreased to 101.47% for the 1st quarter of 2014 from 102.86% for the 1st quarter of 2013 due to the decrease in total assets in 2014 compared to 2013.

B. Discussion and Analysis of Financial Condition as of March 31, 2014

For the quarter ending March 31, 2014, the company recorded a loss of Php 5.643 million with minority interest recorded at Php 824 thousand for a net loss on a consolidated basis of Php 4.819 million, from total revenues of Php 5.975 million and total cost and expenses of Php 11.619 million.

Total revenue for the period of Php 5.975 million was mainly from interest on cash and placements amounting to Php 5.060 million. Foreign exchange gain amounting to Php 0.92 million also contributed to the revenue for the quarter.

Total cost and expenses for the 1st quarter of 2014 amounting to Php 11.619 million was all in general and administrative expenses which increased by Php 1.064 million compared to the balance for the 1st quarter of 2013 of Php 10.555 million due to additional expenses for various projects.

Total Assets as of March 31, 2014 stood at Php 845.813 million decreasing by Php 8.650 million from Php 854.463 million as of December 31, 2013. Current assets decreased by Php 7.964 million primarily from the decreases in cash and equivalents due to the transfer to long-term and higher yielding investments. Non-current assets decreased by Php 0.685 million due to additional investments in various projects and depreciation of property and equipment.

Total Liabilities increased by Php 0.787 million from PhP 16.722 million as of December 31, 2013 to Php 17.509 million as of March 31, 2014 mainly due to additional accruals for retirement benefits.

Total Stockholders' Equity as of March 31, 2014 stood at Php 833.550 million decreasing by Php 8.612 million from Php 842.162 million as of December 31, 2013 mainly due to the fair value adjustments on financial assets and the net loss generated for the 1st quarter of 2014.

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, 2013.

The interim operations are not characterized by any seasonality or cyclicality. The nature and amount of items affecting assets, liabilities, equity, net income and cash flows are explained in Attachment "A" on Financial Information for the period ending March 31, 2014.

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

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

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

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

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

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

Since December 31, 2013, there are no other changes in contingent liabilities or assets and no new material contingencies, events or transactions that have occurred during the current interim period.

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

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

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

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

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

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

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

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

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

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

(i) After consideration of the result of its impact evaluation using the outstanding balances of financial statements as of December 31, 2013, the Company has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2014 reporting;

(ii) We will however, continue to evaluate the impact of the standard in our financial statements for the year 2014.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of March 31, 2014 and December 31, 2013

		UNAUDITED March 31, 2014		AUDITED December 31, 2013
ASSETS				
Current Assets				
Cash and cash equivalents	₽	70,207,281	₽	80,542,774
Receivables-net		4,227,896		3,031,899
Other current assets		2,851,471		1,676,232
Total Current Assets		77,286,648		85,250,905
Non Current Assets				
Available-for-sale (AFS) financial assets		445,996,723		451,425,196
Investment properties		200,634,343		200,634,343
Property and equipment		27,559,784		27,859,819
Deferred charges		90,577,792		85,535,082
Other noncurrent assets		3,757,602		3,757,602
Total Non Current Assets		768,526,244		769,212,042
TOTAL ASSETS	₽	845,812,891	₽	854,462,947
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	₽	2,427,955	₽	2,587,321
Income tax payable		45,827		
Total Current Liabilities	₽	2,473,782	₽	2,587,321
Non Current Liabilities				
Deferred income tax liabilities		6,167,185		6,167,185
Accrued retirement benefits payable		8,867,637		7,967,637
Total Noncurrent Liabilities		15,034,822		14,134,822
TOTAL LIABILITIES	₽	17,508,604	₽	16,722,143
Minority Interest		(5,245,969)		(4,421,659)
Stockholders' Equity				
Attributable to equity holders of the Company:				
Capital stock[held by 6,763 & 6,853 equity holders as of 2014 & 2013 respectively		631,940,878		631,940,878
Additional Paid-In Capital		32,699,360		32,699,360
Revaluation increment in office condominium		15,809,309		15,809,309
Fair value adjustments on financial assets		27,920,955		33,364,260
Remeasurement loss on acquired retirement benefits		(2,704,577)		(2,704,577)
Cumulative translation adjustment		2,368,660		718,817
Retained Earnings		128,755,672		133,574,416
Total		836,790,256		845,402,463
Treasury stock (at cost)		(3,240,000)		(3,240,000)
Total Equity		833,550,256		842,162,463
TOTAL LIABILITIES & STOCKHOLDERS'EQUITY	₽	845,812,891	₽	854,462,947

BASIC ENERGY CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
For the period ended March 31, 2014 and March 31, 2013

		As of 31-Mar-14		As of 31-Mar-13
REVENUES				
	₱		₱	
Income from previous sale of BPMI		-		-
Interest, Dividends and Others		5,060,317		4,694,596
Realized Foreign Exchange Gain		55,502		
Unrealized Forex Gain		859,852		
		5,975,671		4,694,596
COSTS AND EXPENSES				
General and administrative expenses		11,618,725		9,812,421
Realized Foreign Exchange (Loss)				(68,453)
Unrealized Forex (Loss)				(674,088)
Others		-		-
		11,618,725		9,069,880
LOSS BEFORE INCOME TAX		**(5,643,054)**		**(4,375,285)**
PROVISION FOR INCOME TAX				
Current		0		0
Deferred				
		0		**0**
NET INCOME (LOSS)		**(5,643,054)**		**(5,860,366)**
MINORITY INTEREST		**824,310**		**9,590**
		(4,818,744)		**(5,850,776)**
RETAINED EARNINGS AT BEGINNING OF YEAR / QUARTER		**133,574,416**		**154,918,277**
		-		
		-		0
RETAINED EARNINGS (DEFICIT) AT END OF YEAR/ QUARTER	₱	**128,755,672**	₱	**149,067,501**
Earnings (Loss) Per Share	₱	**(0.0019)**	₱	**(0.0024)**

Formula: Earnings (Loss) Per Share = *Net Income/ No. of shares for the quarter ended March 31,2014*
2,527,763,512

= *Net Income/ No. of shares for the quarter ended March 31,2013*
2,469,193,512

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Period Ended March 31, 2014 and March 31, 2013

		1st quarter 2014		1st quarter 2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income (loss)	₱	(5,643,054)	₱	(5,860,366)
Adjustment to reconcile net income to net cash provided by operating activities				
Interest income		5,060,317		4,694,596
Depreciation,depletion and amortization		821,961		743,676
Foreign Exchange Gain/Loss		(915,354)		742,541
Operating income (loss) before working capital changes		(676,130)		320,447
Changes in assets and liabilities				
Decrease (Increase) in asset/s				
Receivables		(1,195,997)		(445,449)
Prepayments and other current assets		(1,175,239)		8,146,716
Increase (Decrease) in liabilities				
Accounts payable & accrued expenses		(113,539)		172,683
Accrued retirement benefits payable		900,000		900,000
Cash generated from (used in) operations		**(2,260,905)**		**9,094,398**
Interest received		(5,060,317)		(4,694,596)
Taxes paid				-
Net cash flows from (used) in operating activities	₱	(7,321,222)	₱	4,399,802
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions (Deductions) to:				-
AFS Investment		5,428,473	₱	(17,737,293)
Deferred charges		(5,036,790)		(7,416,496)
Property & equipment		1,121,996		(23,474)
Unrealized gain on fair value adjustments		(5,443,305)		(226,174)
Net cash from (used in) investing activities	₱	(3,929,626)	₱	(25,403,437)
CASH FLOWS FROM FINANCING ACTIVITIES				
			₱	
Net cash provided by financing activities		-	₱	-
EFFECT OF FOREIGN EXCHANGE RATE CHANGES IN CASH & CASH EQUIVALENT		915,354		(742,541)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT		(10,335,493)	₱	(21,746,177)
CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR/QUARTER		80,542,774		202,436,999
CASH AND CASH EQUIVALENT AT END	₱	70,207,281	₱	180,690,822

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Period Ended March 31, 2014 and March 31, 2013

		Quarters Ended March 31	
		2014	2013
CAPITAL STOCK - P 0.25 par value			
Authorized - 10,000,000,000 shares			
Issued and Subscribed		2,527,763,512	2,469,193,512
Paid-up Capital Stock at beginning of year	₱	631,940,878	617,298,378
Paid-up Capital Stock at end of period/quarter	₱	631,940,878	617,298,378
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year		32,699,360	32,699,360
Balance at end of period	₱	32,699,360	32,699,360
DEPOSITS FOR FUTURE SUBSCRIPTION		0	0
REVALUATION INCREMENT IN OFFICE CONDOMINIUM		15,809,309	17,059,457
FAIR VALUE ADJUSTMENTS ON FINANCIAL ASSETS		27,920,955	17,843,211
REMEASUREMENT LOSS ON ACQUIRED RETIREMENT BENEFIT		-2,704,577	
CUMULATIVE TRANSLATION ADJUSTMENT		2,368,660	
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of the year		133,574,416	154,918,277
Net Income (Loss) for the period		(4,818,744)	(5,850,776)
Balance at end of period	₱	128,755,672	149,067,501
TOTAL	₱	836,790,256	833,967,907
Treasury Stock (at cost)		(3,240,000)	(3,240,000)
TOTAL STOCKHOLDER'S EQUITY		833,550,256	830,727,907

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SCHEDULE OF ACCOUNTS RECEIVABLES
As of March 31, 2014

Receivable from Stockholders	₱	1,718,887
Accrued Interest Receivable		2,448,748
Advances to Officers & Employees		19,729
Others		2,773,479
Less: Allowance for uncollectible accounts		(2,732,947)
	₱	**4,227,896**

Basic Energy Corporation. & Subsidiaries
Aging of Accounts Receivable
As of March 31, 2014

Type of Accounts Receivable	Total	1 Month	2-3 Mos.	4-6 Mos.	7 Mos. To 1 Year	1-2 Years	3-5 Years	5 Years - above	Pas due accounts & Items in Litigation
a) Trade Receivables									
1)		-	-	-	-	-			
2)	-								
3)	-								
Subtotal	-	-	-	-	-	-			
Less: Allow. For Doubtful Acct.	-								
Net Trade receivable	-	-	-	-	-	-			
b) Non-Trade Receivables									
1) Receivables from stockholders	**1,718,887**		-					1,718,887	
2) Accrued interest receivable	**2,448,748**	2,448,748							
3) Advances to officers/employees	**19,729**	19,728.98							
4) Others	**2,764,479**	151,848	1,116,633	155,635	242,765	183,156	463,772	450,670	
Subtotal	**6,951,843**	2,620,325	1,116,633	155,635	242,765	183,156	463,772	2,169,557	
Less: Allow. For Doubtful Acct.	**(2,723,947)**		(153,579)				(419,129)	(2,151,239)	
Net Non-trade receivable	**4,227,896**	**2,620,325**	**963,054**	**155,635**	**242,765**	**183,156**	44,643	18,318	-
Net Receivables (a + b)	**4,227,896**	**2,620,325**	**963,054**	**155,635**	**242,765**	**183,156**	**44,643**	**18,318**	

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

BASIC ENERGY CORPORATION AND SUBSIDIARIES
SCHEDULE OF ACCOUNTS PAYABLE AND ACCRUED EXPENSES
As of March 31, 2014

Accrued Expense Payables	₱	1,063,571
SSS/Philhealth/HDMF/BIR Payables		411,734
Others		998,476
Total	₱	**2,473,782**

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 standards and amendments that require restatement of previous consolidated financial statements and changes in accounting disclosures. These include Philippine Accounting Standards (PAS) 19, *Employee Benefits* (Revised 2011), PFRS 13, *Fair Value Measurement* and amendments to PAS 1, *Presentation of Financial Statements*.

Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group.

The nature and the impact of each new standard and amendment are described below:

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*.
  These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or "similar agreement", irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information.
  This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and

ii. Amounts related to financial collateral (including cash collateral); and

e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments have no impact on the Group's financial position or performance. As the Group is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

- PFRS 10, *Consolidated Financial Statements*
  The Group adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in Standing Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The adoption of this standard did not have a significant impact on the Group's statement of financial position and performance.
- PFRS 11, *Joint Arrangements*
  PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The adoption of this standard did not have a significant impact on the Group's statement of financial position and performance.
- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The Group has no unconsolidated structured entities.
  The adoption of PFRS 12 affects disclosure only and does not have a significant effect in the Group's financial position or performance

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.
  As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of OCI* (Amendments)

The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)
  The revised standard includes a number of amendments that range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. On January 1, 2013, the Group adopted the revised standards retrospectively, with permitted exception on sensitivity disclosures for the defined benefit obligation for the comparative period which have not been provided. For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.
  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses at the end of the previous period exceeded ten percent (10%) of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in profit or loss in the period they occur.
  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period, taking account of any changes in the net defined benefit liability or asset during the period.
  The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.
  Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact on the Group's financial position and financial performance.

The changes in accounting policies have been applied retrospectively.

Annual Improvements to PFRSs (2009-2011 cycle)

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
  These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements. An entity must include comparative information in the related notes to the consolidated financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of consolidated financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Group has not included a complete comparative information in respect of the opening consolidated statement of financial position as at January 1, 2012. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

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

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

Standards and Interpretation Issued but not yet Effective

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). This amendment is not relevant to the Group.

- Philippine Interpretation IFRIC 21, *Levies*
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance.

  The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendment is not relevant to the Group.

- PFRS 9, *Financial Instruments*
PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all

financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues.

This amendment shall be prospectively applied to share-based payment which the grant date is on or after July 1, 2014. This amendment has no impact to Group.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.
  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment has no impact on the Parent Company's financial position.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. amendment shall apply to all revaluations recognized in annual periods beginning the date of initial application of this amendment and in the immediately preceding period. The amendment has no impact on the Group's financial position or

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the Parent Company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of "Effective PFRSs"*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the consolidated financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment has no impact on the Group's financial position or performance.

- PAS 40, Investment *Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of
  PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

Summary of Significant Accounting and Financial Reporting Policies

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

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.

Cash Investments
Short-term cash investments consist of short-term money-market placements and time deposits with original maturities of more than three months but less than a year. Placement and time deposits with maturities of more than one year are classified as noncurrent assets under
"Long-term cash investment" account.
Financial Instruments - Initial Recognition and Subsequent Measurement
Date of Recognition
The Group recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date.

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

Financial assets within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and 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 are classified as financial liabilities at FVPL, derivatives designated as hedging instruments in an effective hedge, or as loans and borrowings. The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expenses or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Group's financial assets are in the nature of loans and receivables and AFS financial assets. As at December 31, 2013 and 2012, the Group has no financial assets at FVPL and HTM investments or derivatives designated as hedging instruments in an effective hedge.
The Group's financial liabilities are in the nature of loans and borrowings as at December 31, 2013 and 2012.

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

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, such financial assets are subsequently measured in the 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 statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.
Loans and receivables are included in current assets if maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent assets.
The Group's cash and cash equivalents, short-term and long-term cash investments and receivables cash investment as at December 31, 2013 and 2012 are classified under this category

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

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

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

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

As of December 31, 2013 and 2012, included under AFS financial assets are the Group's investments in shares of stock and government bonds

Loans and borrowings
Issued financial instruments or their components which are not designated as at FVPL are classified as loans and borrowings, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the hold 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, loans and borrowings are subsequently measured at using the effective interest rate method. Amortized cost is calculated by taking into any discount or premium on the issue and fees that are an integral part of the effective rate. Other financial liabilities are classified as current liabilities when it is expected to settled within 12 months from the end of the reporting period or the Group does not unconditional right to defer settlement of the liabilities for at least 12 months from the the reporting period.

As of December 31, 2013 and 2012, included in loans and borrowings are the Group's accounts payable and accrued expenses .

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.

Fair value Measurement

The Group measures AFS financial assets and investment property, at fair value at each end of reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial 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 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.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows 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 and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Impairment of Financial Assets

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

Loans and receivables

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

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

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

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

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

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

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

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as a component of "Other income" account in the consolidated statement of comprehensive income. If, subsequently, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in consolidated profit or loss, the impairment loss is reversed through consolidated profit or loss.

Prepayments and Other Current Assets

Prepayments

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

Valued-added Tax (VAT)

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

VAT is stated at 12% of the applicable purchase cost of goods or services, net of output tax liabilities. The net amount of VAT recoverable from or payable to, the taxation authority is included as part of "Prepayments and other current assets" or "Accounts payable and accrued expenses," respectively, in the consolidated statement of financial position.

Investment Properties

Investment properties, consisting of parcels of land owned by the Group, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in consolidated profit or loss in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses from derecognition of an investment property are recognized in consolidated profit or loss in the year of retirement or disposal.

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 account in the equity section of the consolidated statements of financial position, net of related deferred income tax liability. An annual transfer from the "Revaluation office condominium" account to retained earnings (deficit) is made for the difference the depreciation based on the revalued carrying amount of the asset and the on the asset's original cost. Additionally, accumulated depreciation at the revaluation eliminated against the gross carrying amount of the asset and the net amount is revalued amount of the asset. Upon disposal, any revaluation increment relating to the particular asset sold is transferred to retained earnings (deficit).

The initial costs of property and equipment consist of their purchase price and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are recognized in profit or loss in the year in which costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. Major maintenance and major overhaul costs that are capitalized as part of property and equipment are depreciated on a straight-line basis over the shorter of their estimated useful lives, typically the period until the next major maintenance or inspection.
Depreciation and amortization is computed using the straight-line method to allocate the related assets' cost to their estimated useful lives. The annual rates of depreciation for each category are based on the following useful lives of related assets:

	Number of Years
Office condominium	15
Office equipment, furniture and fixtures	4 to 5
Farm equipment	3 to 5
Building and leasehold improvements	10
Transportation equipment	5

Leasehold improvements are amortized over the term of the lease or estimated useful life of
ten (10) years, whichever is shorter.
The assets' estimated useful lives and depreciation and amortization 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 and amortization of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation ceases when assets are fully depreciated or at earlier of the date that line item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the item is derecognized.

When assets are retired or otherwise disposed of, their cost, accumulated depreciation amortization and any allowance for impairment loss are eliminated from the accounts gain or loss resulting from their disposal is included in the consolidated statement of comprehensive income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year the item is derecognized.

Fully-depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to operations.

Deferred Charges

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 resources are capitalized and accounted for under the "successful efforts method" [determined on the basis of each Service Contract (SC)/Geophysical Survey and Exploration Contract (GSEC)]. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

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

Impairment of Nonfinancial Assets

Property and Equipment and Noncurrent Assets

The Group assesses at each financial reporting date 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 CGU are written down to their estimated recoverable amounts. The estimated recoverable amount of an asset is the greater of the fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the CGU to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset. An assessment is made at each financial reporting date whether there is any indication previously recognized impairment losses may no longer exist or may have decreased. indication exists, the recoverable amount is estimated. A previously recognized is reversed by a credit to current operations (unless the asset is carried at a revalued which case the reversal of the impairment loss is credited to the revaluation increment same asset) to the extent that it does not restate the asset to a carrying amount in would have been determined (net of any accumulated depreciation) had no impairment been recognized for the asset in prior years. Such reversal is recognized in statement of comprehensive income unless the asset is carried at revalued amount, in case the reversal is treated as a revaluation increase. After such reversal, the charge is adjusted in future periods to allocate the asset's revised carrying amount, residual value, on systematic basis over its remaining useful life.

Prepayments and Other Current Assets
The Group provides provision for impairment losses on nonfinancial prepayments and other current assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in provision for impairment losses would increase recorded expenses and decrease prepayments and other current and noncurrent assets.
Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation and amortization) had no impairment loss been recognized for that asset in prior years.

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

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.
Deposit for Future Stock Subscription
This pertains to the amount of cash and advances from stockholders as payment for future issuance of stocks. The Group classifies a deposit for future stock subscription as an equity instrument if it satisfies all of the following elements:

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

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

Retained Earnings
The amount included in retained earnings includes profit (loss) attributable to the Parent Company's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Parent Company's BOD. Dividends for the period that are approved after the end of the financial reporting date are dealt with as an event after the financial reporting period. Retained earnings may also include the effect of changes in accounting policy as may be required by the accounting standard's transitional provisions.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

Revenue Recognition
Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of revenue can be measured reliably, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received, net of discounts. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The following specific recognition criteria must also be met before revenue is recognized:

Interest income
Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

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

General and Administrative Expenses
General and administrative expenses are decreases in economic benefits during the accounting period in the form of outflows or occurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. General and administrative expenses are generally recognized when the services are used or the expense arises while interest expenses are accrued in the appropriate financial reporting date.

Retirement Benefits Costs

The net retirement benefits liability or asset is the aggregate of the present value of the retirement benefit obligation at the end of the financial reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
The cost of providing benefits under the retirement benefit plans is actuarially determined using the projected unit credit method.

Retirement benefit costs comprise the following:
- Service cost
- Net interest on the net retirement benefit liability or asset
- Remeasurements of net retirement benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net retirement benefit liability or asset is the change during the period in the net retirement benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net retirement benefit liability or asset. Net interest on the net retirement benefit liability or asset is recognized as expense or income in consolidated profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Remeasurements recognized in OCI after the initial adoption of Revised PAS 19 are not closed to retained earnings account. These are retained in OCI until full settlement of the liability.
Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the retirement benefit obligation, the measurement of the resulting retirement benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a retirement benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination Benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.
Employee Leave Entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve (12) months after the end of the financial reporting period is recognized for services rendered by employees up to the end of the reporting period.

Foreign Currency Transactions

Foreign currency transactions are recorded in Philippine peso by applying to the foreign currency amount the exchange rate between the Philippine peso and the foreign currency at the date of the transaction. Foreign currency-denominated monetary assets and liabilities are translated to Philippine peso using the prevailing exchange rates at the end of the reporting period. Exchange rate differences arising from the settlement of monetary items at rates different from those at which they were initially recorded during the year are credited or charged to current operations. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the financial reporting date.

Current income tax relating to items recognized directly in the consolidated statement of changes in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

Deferred income tax is provided, using the 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; and
- 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; and

- 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.

<u>Segment Information</u>

The Group considers investment holding and the energy and oil and gas exploration as its primary activities. The Group has no geographical segmentation as the Group's operating business segments are neither organized nor managed by geographical segment.

<u>Provisions and Contingencies</u>

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.

<u>Contingencies</u>

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefit is probable.

<u>Events After the Reporting Date</u>

Post year-end events that provide additional information about the Group's position at the end of financial reporting period (adjusting events) are reflected in the Parent Company 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 and Estimates

The preparation of the consolidated financial statements in compliance with PFRS management to make judgments and estimates that affect the amounts reported in the consolidated financial statements. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Future events which can cause the assumptions used in arriving at those judgments and estimates to

The effects of the changes will be reflected in the consolidated financial statements as become reasonably determinable.

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

Judgments

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

Determination of the Group's functional currency

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

Classification of financial instruments

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

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 of December 31, 2013, the Group assessed that there were no impairment indicators on its property and equipment.

Impairment of other noncurrent assets

The Group assesses impairment on other noncurrent assets when certain impairment indicators are present. Determining the value of other noncurrent assets, which require the determination of future cash flows expected to be generated from the continued used and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that these assets may not be recoverable. Any resulting impairment loss could have a material adverse impact on financial condition and results of operations. There was no impairment loss recognized on other noncurrent assets as at December 31, 2013 and 2012.

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

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

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

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

There was no provision for impairment loss on deferred charges in 2013 and 2012 .

Realizability of deferred income tax assets
Deferred income tax assets are recognized for all temporary deductible differences to the extent that it is probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Management has determined based on business forecast
of succeeding years that there is no sufficient future taxable profits against which the deferred
income tax assets will be utilized except for the deferred income tax assets related to the provision for impairment loss, unrealized foreign exchange losses and fair value adjustments on AFS financial assets and some portion of NOLCO.

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of asset and liabilities within the next financial year are discussed below:
Impairment of AFS financial assets
The Group treats AFS financial assets as impaired when there has been a significant prolonged decline in the fair value below its cost or where other objective evidence of

impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" as 20% or more of the cost and "prolonged" as greater than 12 months for quoted equity securities.

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

Estimation of useful lives of property and equipment
The Group estimates the useful lives of their property and equipment based on the period over which the assets are expected to be available for use. The Group annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment would increase depreciation expense and decrease noncurrent assets.

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

Estimation of retirement benefits
The cost of defined benefit pension plans as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions

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

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

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

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

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

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, discounted cash flow models and option pricing models, as appropriate.

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

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

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

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

Fair Value Hierarchy

As at December 31, 2013 and 2012, the following table presents the level of hierarchy of the Company's AFS debt and equity instruments:

	2013			2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Recurring fair value measurements:						
AFS Financial Assets						
Quoted debt securities	₱317,960,235	₱–	₱–	₱262,669,089	₱–	₱–
Quoted equity securities	78,816,364	–	–	43,063,447	–	–
Unquoted equity securities	–	–	54,648,364	–	–	135,248
	396,776,599	–	54,648,364	305,732,536	–	135,248
Investment properties	–	200,634,343	–	–	193,479,343	–
	₱396,776,599	₱200,634,343	₱54,648,364	₱305,732,536	₱193,479,343	₱135,248

Fair value of quoted debt and equity securities available-for-sale financial assets is derived from quoted market prices in active markets.

Fair value of investment properties are derived from appraisal reports.

As at December 31, 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Financial Risk Management Objectives and Policies

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

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk and liquidity risk. The Group has no significant exposure to interest rate risk as of December 31, 2013 and 2012. The Group's overall risk management program focuses on minimizing the potential adverse effects on the Group's financial performance due to unpredictability of financial markets.

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

Foreign exchange risk

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

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

The Group's significant foreign currency-denominated financial assets as of December 31, 2013 and 2012 are as follows:

	2013		2012	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Assets:				
Cash and cash equivalents:				
US$	**1,463,831**	**₱64,986,777**	1,408,626	₱57,824,097
IDR	**60,456,142**	**217,642**	–	–
Receivable from FEP - US$	–	–	1,000,000	41,050,000
Short-term investments - US$	–	–	200,000	8,210,000
Long-term investment - US$	–	–	150,000	6,157,500
AFS financial assets:				
Quoted equity investments:				
US$	**9,000**	**399,555**	15,500	636,275
GBP	**8,300**	**605,045**	5,850	387,972
		₱66,209,019		₱114,265,844

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

Credit risk
Credit risk is the risk that the Group will incur a loss because its counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by doing business only with recognized, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group does not have any collateral held as security and other credit enhancements on its financial assets as of December 31, 2013 and 2012. Therefore, the Group's maximum exposure to credit risk is equal to the carrying amount of its financial assets as at December 31, 2013 and 2012.

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

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

Financial instruments classified as “high grade” are those cash and cash equivalents and cash investments transacted with reputable local and multi-national banks and receivables with some history of default on the agreed terms of the contract. AFS financial assets are considered “high grade” since these are invested in blue chip shares of stock. “Past due and impaired” are those that are long outstanding and has been fully provided with an allowance for doubtful accounts. There are no past due but not impaired receivables as of December 31, 2013 and 2012, respectively.

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

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

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares. No changes were made on the objectives, policies or processes during the years ended December 31, 2013 and 2012.

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

As of December 31, 2013 and 2012, the Group is not subject to any externally imposed capital requirements.