COVER SHEET

3	8	6	8	3

S.E.C. Registration Number

THE PHILODRILL CORPORATION

(Company's Full Name)

8th Floor, Quad Alpha Centrum
Building, 125 Pioneer Street
Mandaluyong City

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

Reynaldo E. Nazarea	631-8151
Contact Person	Company Telephone Number

06	30	SEC Form 17-Q (June 2016)	06	15
Month	*Day*	**FORM TYPE**	*Month*	*Day*
			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

8706	P0.00	
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES.

1. For the quarterly period ended June 30, 2016

2. SEC Identification Number: 38683

3. BIR Tax Identification No.: 000-315-612-000

4. Exact name of registrant as specified in its charter: THE PHILODRILL CORPORATION

5. _____Philippines_____ 6. _______________ (SEC Use Only)
Province, Country or other Industry Classification Code
jurisdiction of incorporation or organization

7. 8th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550
Address of principal office Postal Code

8. (632) 631-8151/52_________________________
Registrant's telephone number, including area code

9. Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and of the RSA

Number of Common Stock Outstanding
191,868,805,358

Amount of Debt Outstanding

Total Loans Payable ₱ 0.00

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

Yes [x] No [ ]

12. Check whether the issuer

(a) has filed all reports required to be filed by Section 11 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that 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 [ ]

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PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

1. The unaudited Consolidated Financial Statements of the Company for the 2nd quarter ended 30 June 2016 are included in this report. The schedules listed in the accompanying Index to Supplementary Schedules are filed as part of the SEC Form 17Q.

2. Interim Statements of Operations for the current interim period (01 January to 30 June 2016), with comparative Statement of Operations for the comparable period (01 January to 30 June 2015) are attached to this report.

3. A statement showing changes in equity cumulatively for the current financial year to date (01 January to 30 June 2016), with a comparative statement for the comparable year-to-date period of the immediately preceding financial year (01 January to 30 June 2015) are attached to this report.

4. The basic and diluted earnings/loss per share are presented on the face of the attached Statement of Operations (01 January to 30 June 2016), as well as the basis of computation thereof.

5. The Company's interim financial report for the 2nd quarter 2016 is in compliance with Generally Accepted Accounting Principles ("GAAP"). Included in this report is a summary of the Company's significant accounting policies.

6. The Company follows the same accounting policies and methods of computation in its interim financial statements (01 January to 30 June, 2016) as compared with the most recent annual financial statements (2015), and no policies or methods have been changed. There were NO reclassifications of financial assets made into and from each category as of the current reporting period.

7. There were NO seasonal or cyclical aspects that had a material effect on the financial condition or results of interim operations of the Company.

8. There were NO unusual items during the interim period (01 January to 30 June 2016), the nature, amount, size or incidents of which have affected the assets, liabilities, equity, net income or cash flows of the Company.

9. There were NO changes in the estimates of amounts reported in prior financial year (2015), which had a material effect in the current interim period (01 January to 30 June, 2016).

10. There were NO issuances, repurchases and repayments of debt and equity securities during the current interim period (January 1 to June 30, 2016).

11. For the period January 1 to June 30, 2016, NO cash dividends were declared by the Board of Directors.

12. The Company does not generate revenues from any particular segment and its business is not delineated into any segment, whether by business or geography. The Company is not required to disclose segment information in its financial statements.

13. Up to the time of filing of this quarterly report, there were NO material events subsequent to the end of the interim period (January 1 to June 30, 2016) that have not been reflected in the financial statements for said interim period.

14. There were NO changes in the composition of the Company during the interim period (January 1 to June 30, 2016) and there were NO business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuance of operations during said interim period.

15. The Company has NO contingent liabilities or contingent assets as of its last annual balance sheet date (December 31, 2015) and as of end of current interim period (June 30, 2016), EXCEPT those disclosed in Note 25 to the Company's 2015 Audited Financial Statements.

16. There are NO material contingencies and any other events or transactions that are material to an understanding of the current interim period (January 1 to June 30, 2016).

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

Financial Performance

Total revenues for the first two quarters ended June 30, 2016 decreased by ₱101.8 million or 35% to ₱189.7 million from ₱291.5 million for the same period last year. Petroleum revenues decreased by ₱93.3 million or 35% to ₱169.5 million from ₱262.8 million for the same period last year. The decrease was brought mainly by the decrease in average crude prices and production volume for the first two quarters of 2016 as compared to the same period last year. The average price per barrel decreased to $42.65 for the period ended June 30, 2016 as compared to $60.36 for the same period last year. The combined gross production also decreased to 1,032,470 barrels for the first two quarters ended June 30, 2016, from 1,220,098 barrels produced for the same period last year. Equity in net earnings of associates increased by ₱0.8 million while interest income decreased by ₱6.8 million.

Total costs and expenses decreased by ₱30 million from ₱230.8 million for the first two quarters of 2015 to ₱200.8 million for the first two quarters of 2016. Operating costs decreased by 15%. Foreign exchange gain amounted to ₱0.02 million for the first two quarters of 2016 as compared to ₱5.6 million for the same period last year. The company's

net loss after tax amounted to ₱8.6 million for the first two quarters of 2016 as compared to net income of ₱59.1 million for the same period last year.

The Company's top five (5) key performance indicators are as follows:

	Jun 30 , 2016	Dec 31, 2015
Current Ratio	*29.08 : 1*	*16.87 : 1*
Current Assets	1,098,091,786	1,130,158,472
Current Liabilities	37,756,281	66,993,215
Debt to Equity Ratio	*0.01 : 1*	*0.02 : 1*
Total Liabilities	47,412,882	73,988,132
Stockholders Equity	3,566,414,070	3,541,456,389
Equity to Debt Ratio	*75.22 : 1*	*47.87 : 1*
Stockholders Equity	3,566,414,070	3,541,456,389
Total Liabilities	47,412,882	73,988,132
Book Value per Share	*0.0195*	*0.0194*
Stockholders Equity *(gross of Subs. Receivable)*	3,741,748,356	3,716,790,675
Shares outstanding	191,868,805,358	191,868,805,358
Income (Loss) per Share	*(0.00004)**	*0.00031**
Net Income (Loss)	(8,600,509)	59,071,818
Weighted ave. no. of shares	191,868,805,358	191,868,805,358

**for the period January 1 to June 30*

The current ratios as of December 31, 2015 and June 30, 2016 are 16.87:1 and 29.08:1, respectively. The Company's current assets exceeded its current liabilities by ₱1.06 billion as of June 30, 2016 and December 31, 2015. The "Available-for-sale (AFS) financial assets" account in the balance sheet consists of shares of stock which are listed with the Philippine Stock Exchange and which could be sold to meet the Company's obligations as might be called for by future circumstances. These shares of stock had an aggregate market value of ₱88.0 million as of June 30, 2016 and ₱54.6 million as of December 31, 2015. If these shares would be considered part of Current Assets, the recomputed current ratio would be 31.42:1 as of June 30, 2016 and 17.68:1 as of December 31, 2015.

Total assets slightly decreased from ₱3.615 billion as of December 31, 2015 to ₱3.613 billion as of June 30, 2016. Cash and cash equivalents increased by ₱64.0 million or 10% due to the collection of receivables and the company's share in Galoc revenues. Receivables decreased by ₱93.3 million or 19% due to collection of trade and other receivables during the interim period. Crude oil inventory decreased by ₱2.1 million or 12% due to lower volume of crude oil on storage as of June 30, 2016. Other current assets decreased by P0.65 million due to the amortization of prepaid expenses. Property and equipment reflected a decrease of ₱41.1 million to ₱661.3 million as of June 30, 2016 mainly due to the booking of depletion costs. Available-for-sale (AFS) financial assets increased by ₱33.5 million due to the adjustment in the valuation reserve of the company's listed stock investments. Deferred oil exploration costs

increased by ₱30.1 million due to additional project costs. Deferred tax assets increased by ₱3.7 million or 43% due to adjustments in the recognition of deferred tax assets as of end of the interim period. Other noncurrent assets slightly decreased by ₱0.6 million or 6%.

Total liabilities decreased by 36% or ₱26.6 million from ₱74.0 million as of December 31, 2015 to ₱47.4 million as of June 30, 2016 mainly due to income taxes and other accrued expenses paid as of end of interim period.

Stockholders' equity increased by ₱25.0 million from ₱3.541 billion as of December 31, 2015 to ₱3.566 billion as of June 30, 2016. For the second quarter, an adjustment for the recovery in value of AFS financial assets of ₱33.5 million in the valuation reserve of the company's listed stock investments was booked. As of June 30, 2016, net unrealized gain on the recovery in value of AFS financial assets amounted to ₱9.2 million as compared to the unrealized loss on the decline in value of ₱24.3 million as of December 31, 2015. The company's retained earnings amounted to ₱1.82 billion as of June 30, 2016 as compared to ₱1.83 billion as of December 31, 2015.

The Company has a majority-owned subsidiary, Phoenix Gas & Oil Exploration Co., Inc. (PGO). The Company acquired 100% of PGO's capital stock in May 2007. Since PGO has NOT yet started commercial operations, disclosure on performance indicators are as follows:

	Jun 30, 2016	Dec 31, 2015
Current Ratio	0	0
Current Assets	0	0
Current Liabilities	7,655,258	7,604,464
Debt to Equity Ratio	0.86 : 1	0.85 : 1
Total Liabilities	7,655,258	7,604,464
Stockholders' Equity	8,849,547	8,900,341
Equity to Debt Ratio	1.16 : 1	1.17 : 1
Stockholders' Equity	8,849,547	8,900,341
Total Liabilities	7,655,258	7,604,464
Book Value per Share	0.007	0.007
Stockholders Equity *(gross of Subs. Receivable)*	93,224,547	93,275,341
Average shares outstanding	12,505,000,000	12,505,000,000
Income (loss) per Share	0	0
Net Income (Loss)	No operation	No operation
Average shares outstanding	12,505,000,000	12,505,000,000

Discussion and Analysis of Material Events and Uncertainties

In general, Management is not aware of any material event or uncertainty that has affected the current interim period and/or would have a material impact on future operations of the Company. The Company will continue to be affected by the Philippine business environment as may be influenced by any local/regional financial and political crises.

1. There are NO known trends, demands, commitments, events or uncertainties that have or are reasonably likely to have material impact on the Company's liquidity. Should the Company's cash position be not sufficient to meet current requirements, the Company may consider:

   a) collecting a portion of Accounts Receivables;
   b) selling a portion of its existing investments and assets;
   c) generating cash from loans and advances; and
   d) issuing subscriptions call on the balance of the subscriptions receivable.

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

3. 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, EXCEPT those disclosed in Note 25 to the Company's 2015 Audited Financial Statements.

4. The Company has NO material commitments for capital expenditures, except for the Company's share in the exploration and development expenditures in the SCs and GSECs. The Company expects to be able to fund such expenditures from: operations, collection of subscriptions and other receivables, and from loans/financing, or to avoid incurring these expenditures altogether by way of farm-outs.

5. There are NO known trends, events or uncertainties that have had or are reasonably expected to have a material impact on the revenues or income of the Company from continuing operations.

6. There are NO significant elements of income or loss that did not arise from the Company's continuing operations.

7. There have been NO material changes from period to period in one or more line items of the Company's financial statements, except those discussed below:

   Cash and cash equivalents increased by ₱64.0 million mainly due to the collection of receivables and the company's share in the Galoc revenues.

   Receivables decreased by ₱93.3 million or 19% due to collection of trade and other receivables during the interim period.

   Crude oil inventory decreased by ₱2.1 million or 12% due to the lower volume of crude oil on storage as of end of the interim period.

   Other current assets decreased by ₱0.6 million due to the amortization of prepaid expenses booked during the interim period.

Property and equipment reflected a decrease of ₱41.1 million to P661.3 million as of June 30, 2016 mainly due to the booking of depletion costs.

Available-for-sale investments increased by ₱33.5 million due to the adjustment in the valuation reserve booked as of end of interim period.

Deferred tax assets increased by ₱3.6 million or 43% due to adjustments in the recognition of deferred tax assets as of end of the interim period.

Other noncurrent assets decreased by ₱0.6 million or 6% due to the amortization of other deferred charges booked during the interim period.

Accounts payable and accrued liabilities reflected a ₱13.6 million decrease due to payments of accrued expenses during the interim period.

Income tax payable reflected a net decrease of ₱17.3 million due to the payment of income tax for calendar year 2015, made during the interim period.

Dividends payable reflected a net increase of ₱1.7 million due to the additional unclaimed cash dividends booked during the interim period.

Retirement benefit liability increased by ₱2.7 million or 38% mainly due the booking of pension expense for the interim period.

Net unrealized loss on the decline in value of AFS financial assets as of December 31, 2015 amounted to ₱24.3 million. For the interim period, ₱33.5 million adjustment in the valuation reserve pertaining to the listed stock investments of the Company was booked. As of June 30, 2016, net unrealized gain on the recovery in market value of AFS financial assets amounted to ₱9.2 million.

The company's retained earnings amounted to ₱1.823 billion as of June 30, 2016 as compared to ₱1.831 billion as of December 31, 2015. The decrease of ₱8.6 million was due to the net loss booked for the first two quarters of 2016.

Petroleum revenues decreased by ₱93.3 million or 35% to ₱169.5 million from ₱262.8 million for the same period last year due to lower production and lower crude prices. The combined gross production decreased to 1,032,470 barrels for the first two quarters ended June 30, 2016 from 1,220,098 barrels produced for the same period last year. While the average price per barrel decreased to $42.65 for the period ended June 30, 2016 as compared to $60.36 per barrel for the same period last year.

Equity in net earnings of associates increased by 8% due to the higher level of income booked by Penta Capital Investment Corporation.

Interest income decreased by ₱6.8 million from ₱15.7 million to ₱8.9 million for the first two quarters ended June 30, 2016.
Other income decreased by ₱2.5 million due to lower level of miscellaneous income booked during the period.

Share in costs and operating decreased by ₱30.2 million or 15% due to lower level of production costs booked during the first two quarters of 2016.

Foreign exchange gain amounted to ₱0.02 million for the first two quarters of 2016 as compared to ₱5.6 million for the same period last year.

General and administrative expenses also decreased by ₱5.4 million or 18% due to lower level of expenses for the period.

Net loss amounted to ₱8.6 million for the first two quarters of 2016, as compared to net income of ₱59.1 million for the same period last year.

8. There are NO seasonal aspects that had material effect on the financial condition or results of operations.

Item 3. Management's Assessment and Evaluation of Financial Risk Exposures

A. Financial Instruments

Since there were NO financial assets reclassified into and from each category, disclosures on the following are:

a. The financial assets reclassified into and from each category; - Not Applicable

b. For each reporting period until derecognition, the carrying amounts and fair values of all financial assets reclassified in the current reporting period and previous reporting periods;- Not Applicable

c. For financial assets reclassified in rare circumstances, the facts that would establish such kind of circumstances; -Not Applicable

d. In the reporting period to which financial assets are reclassified, the fair value of the gains or losses of those assets as recognized either in profit or loss, or in equity (other comprehensive income) in that reporting period and previous reporting periods;- Not Applicable

e. For the remainder of the instruments' lives, the gains or losses that would have been recognized in profit or loss, or equity had they not been reclassified, together with the gains, losses, income and expenses now recognized;-Not Applicable

f. As at date of reclassification, the effective interest rates and estimated of cash flows the company expects to recover. – Not Applicable

Fair Values of Financial Instruments

The following table shows the carrying amounts and fair values of the Group's financial assets and financial liabilities:

	Consolidated Unaudited June 2016	Consolidated Unaudited June 2016	Consolidated Audited December 2015	Consolidated Audited December 2015
	Fair Values	Carrying Values	Fair Values	Carrying Values
FINANCIAL ASSETS				
Cash and cash equivalents	698,864,198	698,864,198	634,872,572	634,872,572
Advances to related companies	165,809,600	165,809,600	165,809,601	165,809,601
Accounts with contract operators and partners	197,034,565	197,034,565	296,091,603	296,091,603
Accrued interest receivables	19,237,083	19,237,083	19,483,793	19,483,793
	1,080,945,448	**1,080,945,448**	**1,116,257,569**	**1,116,257,569**
AFS financial assets				
Quoted equity instruments	88,034,819	88,034,819	54,567,291	54,567,291
	88,034,819	**88,034,819**	**54,567,291**	**54,567,291**
	1,168,980,267	**1,168,980,267**	**1,170,824,861**	**1,170,824,861**
FINANCIAL LIABILITIES				
Accounts payable and accrued liabilities				
Accrued liabilities	0	0	7,463,221	7,463,221
Accrued interest	0	0	0	0
Others	369,879	369,879	266,276	266,276
Dividends payable	31,600,201	31,600,201	29,873,963	29,873,963
	31,970,080	**31,970,080**	**37,603,460**	**37,603,460**

Quoted AFS investments are carried at fair value based on the quoted values of the securities.

B. Financial Risk Management Objectives and Policies

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise mainly of cash and cash equivalents, receivables, AFS financial assets, accounts payables and accrued liabilities (except withholding taxes) and dividends payable. The main purpose of these financial instruments is to provide financing for the Group's operations and capital intensive projects.

The Board of Directors (BOD) is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

The main risks arising from the Group's financial instruments are credit risks, liquidity risk, and market risks. The market risks exposure of the Group can be further classified to foreign currency risk and equity price risk. The BOD reviews and approves the policies for managing some of these risks and they are summarized as follows:

Credit risks
Credit risk is the possibility of loss for the Group if its receivable counterparties fail to discharge their contractual obligations. With respect to credit risk arising from the other financial assets of the Group, which comprise of cash in banks, short term investments, receivables and AFS financial assets, advances to related parties and investments in bonds, the Group's exposure to credit risk could arise from default of the counterparty.

The Group trades only with recognized, creditworthy third parties. However, the Group's credit risk exposure is concentrated on a few counterparties as inherent in the oil exploration and production business.

As of June 30, 2016, all of the outstanding trade receivables are from the SC14 A, B, B-1 & C-1 consortiums. At present, the SC14 A, B & B-1 consortium has a supply agreement with Pilipinas Shell Petroleum Corporation (Pilipinas Shell), assuring Pilipinas Shell with sale of the SC14 A, B & B-1 consortium's petroleum products. For SC14 C-1 consortium, the operator, Galoc Production Company has a crude agency agreement with Vitol Asia Pte. Ltd. for the marketing of the Galoc production.

The table below summarizes the Group's gross maximum credit risk exposure from its financial instruments. These amounts are gross of collateral and credit enhancements, but net of any amounts offset and allowance for impairment losses:

	Unaudited balances as of June 30, 2016
Loans and receivables	
Cash and cash equivalents	698,864,198
Accounts with contract operators and partners	197,034,565
Advances to related companies	165,809,601
Accrued interest	19,237,083
AFS investments	
Quoted	88,034,819
Long term investment	0
Gross maximum credit risk exposure	1,168,980,267

The table below shows the credit quality of the Group's financial assets by class as of June 30, 2016 based on the Group's credit evaluation process:

			Past due but not impaired				
	Neither past due nor impaired High Grade	Neither past due nor impaired Standard Grade	1-30 days	31-90 days	Over 90 days	Impaired Financial Assets	Total
Loans and receivables							
Cash and cash equivalents	698,864,198						698,864,198
Accounts with contract operators and partners	197,034,565						197,034,565
Advances to related companies	160,000,000				5,809,601		165,809,601
Accrued interest	3,070,647				16,166,435		19,237,083
AFS investments:							
Quoted equity instruments	88,034,820						88,034,820
Total	1,147,004,230	0			21,976,036		1,168,980,267

Credit quality of cash and cash equivalents, receivables and AFS financial assets are based on the nature of the counterparty.

"High grade" credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience and/or counterparty credit standing. "Standard grade" credit quality financial assets are not yet past due, yet are from counterparties with a history of default. However, the Group cannot declare any of these amounts as uncollectible because they arise from related companies for which there is a common control.

"Past due but not impaired" are items which are already past their maturity dates, but the amount due is still judged as collectible by the Group based on its assessment of the age and creditworthiness of the counterparties. Lastly, "Impaired financial assets" are those that are long-outstanding and has been provided with allowance for impairment losses.

Liquidity risk

Liquidity risk is the risk where the Group becomes unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and operating cash flows. The Group addresses liquidity concerns primarily through cash flows from operations and short-term borrowings.

The table below summarizes the aging analyses of the Group's financial assets as of June 30, 2016 that is used to manage the liquidity risk of the Company:

	Less than three months	Three to twelve months	Total
Cash and cash equivalents	698,864,198	0	698,864,198
Receivables			
Advances to related parties	160,000,000	5,809,601	165,809,601
Accounts with contract operators and partners	197,034,565	0	197,034,565
Accrued interest	3,070,647	16,166,436	19,237,083
AFS financial assets	88,034,820	0	88,034,820
	1,147,004,230	21,976,037	1,168,980,267

The table below summarizes the maturity profile of the Group's accounts payable, accrued liabilities and dividends payable based on contractual undiscounted payments.

	Less than three months	Three to twelve months	Total
June 30, 2016	31,970,080		31,970,080

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchange rates and equity price.

Foreign currency risk

Foreign currency risk is the risk that the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Group's transactional currency exposures arise from cash and cash equivalents, receivables and investment in bonds. The Parent Company's entire share in petroleum operations revenue is denominated in United States Dollar (USD). Consequently, the Group is exposed to foreign exchange risk arising from its USD-denominated receivables and cash and cash equivalents.

As of June 30, 2016, the exchange rate of the Philippine peso to the US$ is P47.06 to US$1.00.

Equity price risk

Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the prices of equity indices and the value of individual stocks. The Group is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the consolidated statements of financial position as AFS financial assets.

PETROLEUM PROJECTS

1.0 Service Contract 6A (Octon)

During the second quarter of 2016, geophysical contractor DownUnder Geosolutions continues to re-process about 520 sq km of 2013 3D seismic data over the northern portion of the SC 6A block. As of end-June, DUGs were about to complete the reprocessing segment of the work, and have started the Quantitative Interpretation segment. Meanwhile, the in-house extended mapping to the southern portion of the block using the 1997 TQ3D data volume continues.

2.0 Service Contract 6B (Bonita)

Upon receipt of the initial re-processed data volume in March, it was found out that contractor Schlumberger missed to re-process a critical portion (16 sq km) of the data in the northern section of the block. Schlumberger agreed to reprocess the same at no cost to the consortium which they had completed and delivered in May. As of end-June, Philodrill continued interpreting the full reprocessed data volume. Alongside the seismic mapping work, Philodrill likewise continued the resource assessment of three identified key features of interest within the block, namely East Cadlao prospect, Bonita discovery and Elephant structure.

3.0 Service Contract No. 14 (Nido/Matinloc/North Matinloc Blocks)

The consortium completed three (3) shipments during the second quarter, involving 41,040 barrels of combined Nido-Matinloc-North Matinloc crudes, including the inventory from the previous quarter. As of end-June 2016, about 10,220 barrels of the crude mix were onboard the storage vessels. Summary of the fields' production for the 2nd quarter of the year is shown in the table.

2nd Quarter 2016 Crude Oil Production Summary (in barrels)

	Nido	Matinloc	North Matinloc	Total
April	6,041	7,579	782	14,402
May	6,010	5,624	588	12,222
June	0	7,286	688	7,974
total	12,051	20,489	2,058	34,598

4.0 Service Contract No. 14 C-1 (Galoc)

The Galoc Field produced 466,991 barrels during the period from April 1 to June 30, 2016. Cumulative production stood at 17,811,951 barrels as at end-June.

Operator Galoc Production Company completed 2 offtakes during the quarter, involving about 686,530 barrels which were sold to buyers SK Energy of South Korea and Thai Oil Public Company Limited. As of June 30, 2016, about 67,450 barrels were on board the FPSO Rubicon Intrepid.

GPC carried out a planned shutdown of the Phase 1 system to enable pressure testing of the risers with the wells alternately shut-in and flowed from May 5 - May 13, 2016 as required for vendor re-certification of the riser system. Simultaneous with the pressure tests, GPC and FPSO operator ROI also carried out maintenance and inspection works on the vessel and facilities.

5.0 Service Contract 14 C-2 (West Linapacan)

Since mid-2015, Philodrill had difficulty in getting vital information from erstwhile operator RMA WL. Such information would have been helpful in the formulation of substantial work program and plans for the block. Pending the availability of new information, the technical and commercial audit of the block has been suspended. Meanwhile, Philodrill had initiated talks with various companies in its effort to sell the West Linapacan acreage to interested parties.

6.0 Service Contract No. 53 (Onshore Mindoro)

In April, Pitkin Petroleum and Mindoro-Palawan Oil & Gas Inc. (MPOGI) formally signed the Purchase and Sale Agreement and Deed of Assignment transferring Pitkin's 70% interest to MPOGI. Same documents were submitted to the DOE where it remained pending as of end-June 2016.

Pitkin Petroleum presided an Operating Committee Meeting in its capacity as the outgoing block operator where they presented the budget for 2016-2017. Total firm budget costs about USD 8.442MM, the bulk of which will be for the Progreso-2 drilling in 2017. A contingent budget of USD 1.906MM was also proposed to cover testing and completion of the well, for gas analysis and reserves certification and generation of Progreso Plan of Development including Front End Engineering Design (FEED).

7.0 Service Contract No. 74 (Linapacan)

During a TCM/OCM held last 30 March 2016, interim operator Philex Petroleum Corporation submitted for consideration a work program consisting of 2D seismic acquisition and processing, a bathymetry survey, and acquisition, processing and interpretation of marine gravity and magnetic data. The Joint Venture later added the continuing evaluation of the Linapacan A and B fields to the work program for 2016. Total budget is USD 2.33MM.

The DOE formally approved on 25 April 2016 the transfer of Pitkin's interest in SC 74 to Philex Petroleum which the DOE also acknowledged as the new block operator. The DOE

also approved the 2D seismic acquisition program as the Joint Venture's committed program for the 2nd sub-Phase of the service contract.

Contractor CGG's vessel Binh Minh 2 successfully completed data acquisition in SC 74 on 10 June 2016, acquiring for the SC 74 JV a total of 1,614.30 line-km of full fold broadband seismic, 1,718 km of gravity and 1,623 km of magnetic data. The seismic data are currently being processed in CGG's center in Singapore, while the marine gravity and magnetic data are being processed in Houston.

8.0 SWAN Block

Philodrill continued to wait for PNOC-EC's review of the proposal to acquire participation in Philodrill's Nido 1X-1 project for a potential interest swap in their service contracts which now cover the former SWAN Block.

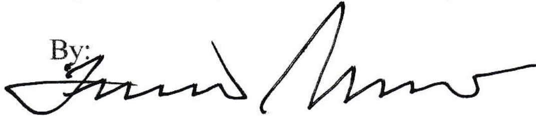
PART II – OTHER INFORMATION

There were NO items for disclosure that were not made under SEC Form 17C during the current interim period (01 January to 30 June 2016).

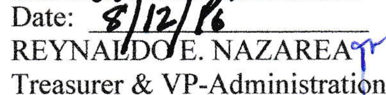
SIGNATURES

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

By:



Date: ____________
FRANCISCO A. NAVARRO
President



Date: 8/12/16
REYNALDO E. NAZAREA
Treasurer & VP-Administration

THE PHILODRILL CORPORATION
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SEC FORM 17Q

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*These schedules, which are required by Part IV(e) of RSA 48, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's financial statements or the notes to financial statements.

THE PHILODRILL CORPORATION
Consolidated Statements of Financial Position

	(Unaudited) June 30 2016	(Audited) December 31 2015
ASSETS		
Current Assets		
Cash and cash equivalents	698,864,198	634,872,572
Receivables	383,528,309	476,817,903
Crude oil inventory	14,914,826	17,036,945
Other current assets	784,453	1,431,052
Total Current Assets	1,098,091,786	1,130,158,472
Noncurrent Assets		
Property and equipment - net	661,356,485	702,491,839
Investments in associates	731,799,673	726,872,156
Available-for-sale (AFS) financial assets	88,034,820	54,567,291
Deferred oil exploration costs	1,011,945,219	981,791,585
Deferred income tax assets	12,140,301	8,478,505
Other noncurrent assets	10,458,668	11,084,673
Total Noncurrent Assets	2,515,735,166	2,485,286,049
TOTAL ASSETS	3,613,826,952	3,615,444,521
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	6,039,988	19,684,102
Income tax payable	116,092	17,435,150
Dividends payable	31,600,201	29,873,963
Total Current Liabilities	37,756,281	66,993,215
Noncurrent Liability		
Retirement benefit liability	9,656,601	6,994,917
TOTAL LIABILITIES	47,412,882	73,988,132
Equity		
Capital stock - P0.01 par value		
Authorized - 200 billion shares		
Issued	1,568,018,150	1,568,018,151
Subscribed	350,669,903	350,669,903
Subscriptions receivable	(175,334,286)	(175,334,286)
Paid in capital from sale of treasury shares	1,624,012	1,624,012
Share in other comprehensive (loss) of an associate	(10,592,344)	(10,597,481)
Net unrealized loss on decline in value of AFS financial assets	9,199,989	(24,267,539)
Retained earnings	1,822,828,646	1,831,343,629
Total Equity	3,566,414,070	3,541,456,389
TOTAL LIABILITIES AND EQUITY	3,613,826,952	3,615,444,521

THE PHILODRILL CORPORATION

Consolidated Statements of Comprehensive Income

	Jan 1 to Jun 30 2016	Jan 1 to Jun 30 2015	Apr 1 to Jun 30 2016	Apr 1 to Jun 30 2015
PETROLEUM REVENUE	169,509,946	262,838,694	97,960,148	144,277,343
COSTS AND EXPENSES				
Share in costs and operating	(175,665,519)	(205,905,947)	(91,522,382)	(103,593,013)
General and administrative	(25,206,709)	(30,578,948)	(11,979,189)	(16,886,399)
	(200,872,228)	(236,484,895)	(103,501,571)	(120,479,412)
OTHER INCOME (CHARGES)				
Equity in net earnings of associates - net	10,927,517	10,071,239	5,165,117	6,159,839
Interest income	8,907,421	15,746,093	4,383,850	7,173,742
Foreign exchange gains	17,817	5,659,761	11,367,172	4,619,541
Others	393,559	2,879,668	534	2,163,802
	20,246,314	34,356,761	20,916,673	20,116,924
INCOME (LOSS) BEFORE INCOME TAX	(11,115,968)	60,710,560	15,375,250	43,914,855
PROVISION FOR (BENEFIT FROM) INCOME TAX	(2,515,459)	1,638,742	579,244	1,956,226
NET INCOME (LOSS)	(8,600,509)	59,071,818	14,796,006	41,958,629
OTHER COMPREHENSIVE INCOME (LOSS)				
Changes in fair value of available-for-sale financial assets	33,467,528	(85,684,437)	19,993,297	(65,540,387)
TOTAL COMPREHENSIVE INCOME (LOSS)	24,867,019	(26,612,619)	34,789,303	(23,581,758)

Earnings (loss) per share was computed as follows:

	Jan 1 to Jun 30 2016	Jan 1 to Jun 30 2015	Apr 1 to Jun 30 2016	Apr 1 to Jun 30 2015
Net income (loss)	(8,600,509)	59,071,818	14,796,006	41,958,629
Weighted average no. of shs	191,868,805,358	191,868,805,358	191,868,805,358	191,868,805,358
Income (Loss) per share	(0.00004)	0.00031	0.00008	0.00022

THE PHILODRILL CORPORATION

Consolidated Statements of Cash Flows
(Unaudited)

	January 1 to June 30 2016	January 1 to June 30 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	(8,600,509)	59,071,818
Adjustments for:		
Depletion, depreciation and amortization	54,943,582	60,314,493
Equity in net losses (earnings) of associates - net	(10,927,517)	(10,071,239)
Operating loss before working capital changes	35,415,556	109,315,072
Decrease (increase) in:		
Receivables	89,615,832	(84,046,076)
Crude oil inventory	2,122,119	45,104,147
Other current assets	646,595	195,754
Retirement benefits assets	2,661,684	(7,660,362)
Increase in accounts payable and accrued expenses	(29,634,369)	(53,784,130)
Net cash from (used in) operating activities	100,827,417	9,124,405
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	6,000,000	6,000,000
Reductions in (additions to):		
Property and equipment	(13,808,228)	(2,457,820)
Deferred oil exploration costs and other inv	(30,153,634)	(14,598,839)
Advances to affiliated companies - net	2,188,911	101,604,207
Investments	0	(895,978)
Other noncurrent assets	(2,789,079)	87,770,476
Subscriptions payable	0	0
Net cash from (used in) investing activities	(38,562,030)	177,422,046
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds/Adjustments (Payments) of:		
Subscriptions receivable	0	654
Dividends payable	1,726,238	(1,569,484)
Loans payable	0	0
Net cash from (used in) financing activities	1,726,238	(1,568,829)
NET INCREASE (DECREASE) IN CASH	63,991,626	184,977,622
CASH, BEGINNING	634,872,572	421,629,345
CASH, ENDING	698,864,198	606,606,967

THE PHILODRILL CORPORATION

Consolidated Statements of Changes in Equity

	Unaudited June 2016	June 2015
CAPITAL STOCK - P0.01 par value		
Authorized - 200 billion shares		
Issued		
Balance at the beginning of year	1,568,018,150	1,568,018,150
Issuances for the period	0	0
Balance at end of second quarter	1,568,018,150	1,568,018,150
Subscribed		
Balance at the beginning of year	350,669,903	350,669,903
Issuances for the period	0	0
Balance at end of second quarter	350,669,903	350,669,903
Subscriptions receivable		
Balance at the beginning of year	(175,334,286)	(175,334,940)
Collection of subscriptions receivable		
Adjustment	0	654
Balance at end of second quarter	(175,334,286)	(175,334,286)
Paid in capital from sale of treasury		
Balance at the beginning of year	1,624,012	1,624,012
Movements during the period	0	0
Balance at end of second quarter	1,624,012	1,624,012
Unrealized Losses on Decline in Market Value of Long-term Investments		
Balance at the beginning of year	(24,267,538)	(227,253,709)
Adjustment during the period	33,467,528	(85,684,436)
Balance at end of second quarter	9,199,989	(312,938,146)
Share in other comprehensive income of an associate		
Balance at the beginning of year	(10,597,481)	11,982
Movements during the period	5,135	0
Balance at end of second quarter	(10,592,346)	11,982
Retained Earnings		
Balance at the beginning of year	1,831,429,156	1,791,350,138
Cash dividend declared	0	0
Net income (loss) for the period	(8,600,509)	59,071,818
Balance at end of second quarter	1,822,828,647	1,850,421,956
Total Stockholders' Equity	3,566,414,069	3,282,473,571

THE PHILODRILL CORPORATION
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS
EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)
FOR THE QUARTER ENDED JUNE 30, 2016

Name and Designation of Debtor	Beginning Balance	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Ending Balance
Various officers and employees	1,399,059	701,373	653,373		1,447,060		1,447,060
	1,399,059	701,373	653,373	0	1,447,060	0	1,447,060

SCHEDULE C - LONG TERM INVESTMENTS IN SECURITITES
(NONCURRENT MARKETABLE EQUITY SECURITIES,
OTHER LONG TERM INVESTMENTS IN STOCK
INVESTMENTS IN BONDS AND OTHER DEBT SECURITIES)
FOR THE QUARTER ENDED JUNE 30, 2016

	BEGINNING BALANCE		ADDITIONS		DEDUCTIONS		ENDING BALANCE		Dividends Received/
Name of Issuing Entity and Description of Investment	Number of Shares or Principal Amount of Bonds and Notes	Amount in Pesos	Equity in Earnings (Losses) of Investees for the Period	Others	Distribution of Earnings by Investees	Others	Number of Shares or Principal Amount of Bonds and Notes	Amount in Pesos	Accrued from Investments Not Accounted for by the Equity Method
Investments in associates:									
Penta Capital Investment Corp.	1,600,000	260,356,349	5,965,920		6,000,000		1,600,000	260,322,269	
Penta Capital Holdings, Inc.	300,000	57,655,792	453,367				300,000	58,109,159	
Atlas Consolidated Mining and Development Corporation	19,502,293	414,622,415	(1,254,170)				19,502,293	413,368,245	
		732,634,556	5,165,117	0	6,000,000	0		731,799,673	0
Amount shown under the caption "Available For Sale Investments"									
Vulcan Industrial & Mining Corp.	3,200,000	4,150,876				0	3,200,000	4,150,876	
United Paragon Mining Corp.	6,839,068,254	72,983,955					6,839,068,254	72,983,955	
CJH Golf Club, Inc.	17	1,700,000					17	1,700,000	
		78,834,831	0	0	0	0		78,834,831	0
less-allowance for decline in market value		(10,793,307)				19,993,296		9,199,989	
		68,041,524	0	0	0	19,993,296	0	88,034,820	0
		800,676,080	5,165,117	0	6,000,000	19,993,296	0	819,834,493	0

THE PHILODRILL CORPORATION
SCHEDULE D - INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES
FOR THE QUARTER ENDED JUNE 30, 2016

Name of Affiliate	Beginning Balance	Ending Balance
Alakor Corporation	160,000,000	160,000,000
Fil-Energy Corporation	4,753,762	4,753,762
United Paragon Mining Corporation	1,055,838	1,055,838
	165,809,600	165,809,600

THE PHILODRILL CORPORATION
SCHEDULE E - PROPERTY AND EQUIPMENT
FOR THE SECOND QUARTER ENDED JUNE 30, 2016

Classification	Beginning Balance	Additions at Cost	Retirements	Other Changes- Additions (Deductions)	Ending Balance
Wells, platforms and other facilities	1,318,078,574	15,302,267			1,333,380,841
Office condominium units and improvements	17,934,623	0			17,934,623
Office furniture, fixtures and equipment	7,643,217	17,100			7,660,317
Transportation equipment	12,214,900				12,214,900
	1,355,871,314	15,319,367	0	0	1,371,190,681

THE PHILODRILL CORPORATION
SCHEDULE F - ACCUMULATED DEPLETION, DEPRECIATION AND AMORTIZATION
FOR THE SECOND QUARTER ENDED JUNE 30, 2016

Classification	Beginning Balance	Additions Charged to Costs and Expenses	Retirements	Other Changes- Additions (Deductions)	Ending Balance
Wells, platforms and other facilities	654,278,936	25,894,162			680,173,098
Office condominium units and improvements	10,727,434	123,936			10,851,370
Office furniture, fixtures and equipment	7,178,178	83,024			7,261,202
Transportation equipment	10,977,647	570,880			11,548,527
	683,162,195	26,672,001	0	0	709,834,196

THE PHILODRILL CORPORATION
SCHEDULE G - INTANGIBLE ASSETS AND OTHER ASSETS
FOR THE SECOND QUARTER ENDED JUNE 30, 2016

Classification	Beginning Balance	Additions at Cost	Charged to Costs and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Deferred oil exploration and development costs	982,876,671	29,068,548				1,011,945,219
	982,876,671	29,068,548	0	0	0	1,011,945,219

THE PHILODRILL CORPORATION
SCHEDULE M - CAPITAL STOCK
FOR THE QUARTER ENDED JUNE 30, 2016

Title of Issue	Authorized	Issued and Outstanding	Subscribed	Number of shares Reserved for Options, etc.	Number of shares held by Directors, Officers and Employees	Others
Common shares at P0.01 par value	**200,000,000,000**	**156,801,815,000**	**35,066,990,300**	**0**	**968,690,253**	**190,900,115,047**

THE PHILODRILL CORPORATION
SCHEDULE N - AGING OF ACCOUNTS RECEIVABLES
FOR THE SECOND QUARTER ENDED JUNE 30, 2016

1) AGING OF ACCOUNTS RECEIVABLE

Type of Accounts Receivable	Total	1 month	2-3 months	4-6 months	7 months to 1 year	1-2 years	3-5 years	5 years above	past due accts & items in litigation
a) Trade receivables									
1) Account with contract operator	196,330,217	88,600,063	19,239,241		50,293,165	38,197,749			
2) Accounts with partners	282,210	282,210							
less allowance for doubtful accounts	0								
Net Trade Receivables	196,612,428	88,882,273	19,239,241	0	50,293,165	38,197,749	0	0	0
b) Non-trade receivables									
1) Accrued interest receivable	19,237,084	461,283	938,478	1,670,887				16,166,436	
less allowance for doubtful accounts	0								
2) Account with officers and employees	1,447,060	132,659	568,714		745,687				
3) Advances to related companies	165,809,600				160,000,000			5,809,600	
less allowance for doubtful accounts									
4) Others	422,137				315,980		106,157		
less allowance for doubtful accounts	0								
Net Non-Trade Receivables	186,915,881	593,942	1,507,192	1,670,887	161,061,667	0	106,157	21,976,036	0
Net Receivables	383,528,309	89,476,215	20,746,432	1,670,887	211,354,832	38,197,749	106,157	21,976,036	0

2) ACCOUNTS RECEIVABLE DESCRIPTION

Type of Accounts Receivable	Nature/Description	Collection Period
a) Trade receivables		
1) Account with contract operator	share in crude oil revenue net of share in production costs	30 days
b) Non-trade receivables		
1) Accrued interest receivable	interest receivable on advances	
2) Account with officers and employees	other advances to officers and employees	
3) Advances to related companies	loans and advances to related parties	

THE PHILODRILL CORPORATION
SCHEDULE O - FINANCIAL RATIOS
JUNE 30, 2016

Profitablity Ratios:	June 2016	December 2015
Return on assets	-0.24%	3.17%
Return on equity	-0.24%	3.24%
Gross profit margin	-3.63%	24.13%
Net profit margin	-5.07%	21.42%
Liquidity Ratios:		
Current ratio	29.08 :1	16.87 :1
Quick ratio	28.67 :1	16.59 :1
Financial Leverage Ratios:		
Asset to equity ratio	1.01 :1	1.02 :1
Debt to equity ratio	0.01 :1	0.02 :1

Basis of Preparation, Basis of Consolidation, Statement of Compliance, Changes in Accounting Policies and Disclosures, Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis, except for crude oil inventory which is valued at net realizable value (NRV) and quoted AFS financial assets which are measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the Parent Company and its subsidiary's functional and presentation currency, rounded off to the nearest peso, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at December 31 of each year, after eliminating intercompany balances and transactions.
The financial statements of the subsidiary 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.

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 interests
- Derecognizes the cumulative translation differences recorded 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's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

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

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

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

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

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are not expected to have a significant effect to the Group. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

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

  The improvements affect disclosure only and have no impact on the Group's financial position or performance.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively and it clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss (FVPL) whether or not it falls within the scope of PAS 39 (or PFRS 9, *Financial Instruments*, if early adopted). The 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 are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  The amendments affect disclosure only and have no impact on the Group's financial position or performance

- PAS 16, *Property, Plant and Equipment*, and PAS 38*, Intangible Assets- Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment has no impact on the Group's financial position or performance since the Group does not use the revaluation method in accounting for its property and equipment and has no intangible assets for revaluation.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment affects disclosure only and has no 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 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  The amendment is not expected to have any impact to the Group's future financial statements.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 or (PFRS 9, as applicable). The amendment affects disclosure only and has no impact on the Group's financial position and performance.

- PAS 40, *Investment Property - Clarifying the interrelationship of PFRS 3 and PAS 40 When Classifying Property as Investment Property or Owner-Occupied Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is not expected to have any impact to the Group's future financial statements.

Standards and Interpretations Issued but not yet Effective
The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant effect on its financial statements.

Effective Date to be Determined:

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

Effective January 1, 2016:

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures –Investment Entities: Applying the Consolidation Exception (Amendments)*
  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments will not have any impact on the Group's financial statements.

- PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the parent company financial statements.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group shall consider this amendment for future acquisitions of interests in joint operations.

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

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

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

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

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

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

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The

amendment also clarifies that changing the disposal method does not change the date of classification. The Group shall consider this amendment for future disposals, if there are any.

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

- PFRS 7, *Applicability of the Offsetting Disclosures to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. These amendments will not have any impact on the Group's financial statements since it is not preparing condensed interim financial statements.

- PAS 19, *Employee Benefits – Regional Market Issue regarding Discount Rate*
  The amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.The Group does not expect this to have a significant impact on the financial statements.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). This amendment will not have any impact on the Group's financial statements since it is not preparing interim financial statements.

Effective January 1, 2018:

- PFRS 9, *Financial Instruments*
  In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009,2010 and 2013) is permitted if the date of initial application is before February 1, 2015.The Group did not early adopt PFRS 9.The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- IFRS 16, Leases
  On January 13, 2016, the IASB issued its new standard, IFRS 16, Leases, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and

related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

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

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, Revenue from Contracts with Customers. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group expects that this interpretation will not have any impact on its financial statements.

The Group does not expect any significant impact on the financial statements when it adopts the above standards and interpretations. The revised and additional disclosures provided by the standards and interpretations will be included in the financial statements when these are adopted in the future, if applicable.

Summary of Significant Accounting Policies and Financial Reporting Practices

Presentation of Financial Statements
The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss (consolidated statement of income) and a second statement beginning with profit or loss and displaying components of OCI (consolidated statement of comprehensive income).

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

Financial Instruments Initial Recognition and Subsequent Measurement
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statements 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 the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial Recognition and Classification of Financial Instruments
Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in the case of a financial asset) or received (in the case of a financial liability). Except for those designated at FVPL, the initial measurement of financial instruments includes transaction cost.

On initial recognition, the Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, loans and receivables and derivatives designated as hedging instruments in an effective hedge, as appropriate.

The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate,
re-evaluates such designation at the end of each reporting period.

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

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

Also under PAS 39, all financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. Financial liabilities are classified as FVPL, loans and borrowings and derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

Fair Value Measurement
The Group measures financial instruments, such as, derivatives, and nonfinancial assets such as investment properties, at fair value at each financial reporting date.

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

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

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

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

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

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

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

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

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

Subsequent Measurement
The subsequent measurement of financial instruments depends on their classification as follows:

AFS Financial Assets
AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the three other categories. The Group designates financial instruments as AFS financial assets if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized directly in equity as “Net unrealized loss on decline in value of AFS financial assets”.

When the financial asset is disposed of, the cumulative gains or losses previously recorded in equity are recognized in the consolidated statement of income. Interest earned on the investments is reported as interest income using the effective interest rate (EIR) method. Dividends earned on investments are recognized in the consolidated statement of income as “Dividend income” when the right of payment has been established. The Group considers several factors in making a decision on the eventual disposal of the investment. The major factor of this decision is whether or not the Group will experience inevitable further losses on the investment. These financial assets are classified as noncurrent assets unless the intention is to dispose of such assets within twelve months from the end of the reporting period.

As at December 31, 2015 and 2014, the Group classifies its investments in shares of stocks as AFS financial assets (see Note 20).

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the EIR method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the EIR. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if their maturity falls within twelve months from reporting date or within the Group's operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of up to three (3) months or less from dates of acquisition and are subject to an insignificant risk of change in value.

As at December 31, 2015 and 2014, the Group's loans and receivables consist of cash and cash equivalents, receivables, investment in bonds and advances to related parties (see Note 20).

Loans and Borrowings
This category pertains to financial liabilities that are not held for trading, not derivatives, or not designated at FVPL upon the inception of the liability.

After initial recognition, these liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

As at December 31, 2015 and 2014, the Group classifies its accounts payable and accrued liabilities and dividends payable as loans and borrowings (see Note 20).

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position 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.

Impairment of Financial Assets
The Group assesses at each end of the reporting period whether a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or a group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets at Amortized Cost
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in the group of financial assets with similar credit risk and characteristics, and that group of financial assets is collectively assessed for impairment. Those similar credit risk characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's 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 the collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). All impairment losses are recorded only through the use of an allowance account. The amount of loss is recognized in consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in consolidated statement of income, to the extent that the carrying value of the asset does not exceed what its amortized cost could have been had there been no impairment at the reversal date.

In relation to loans and 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 the amounts due under the original terms of the invoice. Objective impairment evidence may constitute the increased probability of insolvency, or significant financial difficulties, of the debtor. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

AFS Financial Assets
For AFS financial assets, the Group assesses at end of the reporting period 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. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When 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 OCI, is removed from equity and recognized in consolidated statement of income.

Impairment losses on equity investments are not reversed through the consolidated statement of income while increases in fair value after impairment are recognized directly in equity through the consolidated statement of comprehensive income.

If there is objective evidence of impairment on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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 of a similar financial asset.

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 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 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 or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.
When 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 are discharged, cancelled or has expired.

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

Interest in Jointly Controlled Operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to its interests in joint operations, the Group recognizes its:
- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

Crude Oil Inventory
Crude oil inventory is carried at NRV at the time of production. NRV is the estimated selling price less cost to sell. The estimated selling price is the market value of crude oil inventory based on Platt's Dubai monthly average of the mid-day crude oil prices for the reporting month and is adjusted taking into account fluctuations of price directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period. Estimated cost to sell is the cost incurred necessary to complete the sale (e.g., freight charges, transportation costs, etc.).

Other Current Assets
Other current assets include supplies and various prepayments which the Group expects to realize or consume within twelve (12) months after the end of the reporting period.

Property and Equipment
Property and equipment are stated at cost less accumulated depletion and depreciation, and any impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred and the recognition criteria are met.

The initial cost of property and equipment, other than wells, platforms and other facilities, comprises its purchase price, including import duties, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period the costs are incurred.
In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of 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, and the estimated useful lives of the related property and equipment.

Wells, platforms and other facilities are depleted on a field basis under the unit-of-production (UOP) method based upon estimates of proved developed reserves except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. The depletion base includes the exploration and development cost of producing oil fields.

Depreciation of property and equipment, other than wells, platforms and other facilities, is computed using the straight-line method over the estimated useful lives of the assets as follows:

Category	Number of Years
Office condominium units and improvements	20
Transportation equipment	5
Office furniture, fixtures and equipment	3-5

Depletion and depreciation of an item 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.

Depletion and depreciation ceases when an item of property and equipment is fully depreciated, depleted or amortized or at the earlier of the date that the 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 and the date the asset is derecognized.

When assets are retired or otherwise disposed of, the cost and related accumulated depletion, and depreciation, and any allowance for impairment are removed from the accounts and any gain or loss resulting from their disposals is recognized in consolidated statement of income.

The asset's reserves, useful lives and depletion and depreciation methods are reviewed periodically to ensure that the periods and methods of depletion and depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

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

Investments in Associates

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

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income and its share of post-acquisition movements in OCI is recognized in consolidated statement of comprehensive income. The cumulative
post-acquisition movements are adjusted against the carrying amount of the investment. Distributions received from an investee reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivable/s, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Deferred Oil Exploration Costs

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with exploration are capitalized under "Deferred oil exploration costs" account. The Group's deferred oil exploration costs are specifically identified of each Service Contract (SC) area. All oil exploration costs relating to each SC are deferred pending the determination of whether the contract area contains oil reserves in commercial quantities. Capitalized expenditures include costs of license acquisition, technical services and studies, exploration drilling and testing, and appropriate technical and administrative expenses. General overhead or costs incurred prior to having obtained the legal rights to explore an area are recognized as expense in the consolidated statement of income when incurred.

If no potentially commercial hydrocarbons are discovered, the deferred oil exploration asset is written off through the consolidated statement of income. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried under deferred oil exploration costs account while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as deferred oil exploration costs.

At the completion of the exploration phase, if technical feasibility is demonstrated and commercial reserves are discovered, then, following the decision to continue into the development phase, the oil exploration costs relating to the SC, where oil in commercial quantities are discovered, is first assessed for impairment and (if required) any impairment loss is recognized, then the remaining balance is transferred to "Wells, platforms and other facilities" account shown under the "Property and equipment" account in the consolidated statement of financial position.

Deferred oil exploration costs are assessed at each reporting period for possible indications of impairment. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case or is considered as areas permanently abandoned, the costs are written off through the consolidated statement of income. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

The recoverability of deferred oil exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves.

Farm-ins and Farm-outs

The Group does not record any expenditure made by the farminee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any cost previously capitalized in relation to the whole interest. Any cash consideration received directly from the farminee is credited against costs previously capitalized in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

Impairment of Nonfinancial Assets

Crude Oil Inventory

The Group determines the NRV of inventories at the time of production. If the cost of the inventories exceeds its NRV, the asset is written down to its NRV and impairment loss is recognized in the statement of comprehensive income in the period. In the case when NRV of the inventories increased subsequently, the NRV will increase the carrying amounts of inventories but only to the extent of their original acquisition costs.

Investments in Associates

The Group determines at each end of the reporting period whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of impairment being the difference between the recoverable amount of the associate and the carrying value and recognizes the amount as part of "Other income (charges) - net" in the consolidated statement of comprehensive income.

An assessment is made at the end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indications exist, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the investments is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the assets in prior years. Such reversal is recognized in the statement of comprehensive income.

Deferred Oil Exploration Costs

An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the deferred exploration costs may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined. Deferred charges are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

Property and Equipment, Nonfinancial Prepayments and Other Current and Noncurrent Assets

The Company assesses, at each reporting period, whether there is an indication that an asset may be impaired. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or CGU is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized as part of "Other income (charges)" in the consolidated statement of income.

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

Capital Stock

Capital stock is measured at par value for all shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized in paid-in capital from sale of treasury shares.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of changes in accounting policy and other capital adjustments.

Dividends on Capital Stock

Dividends on common shares are recognized as a liability and deducted from equity when approved by the Parent Company's BOD. Dividends for the year that are approved after the end of the reporting period are dealt with as an event after the reporting period.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Petroleum Revenue

Revenue is derived from sale of petroleum to third party customers. Sale of petroleum is recognized at the time of production based on the Group's participating interest. Revenue is measured at the fair value of consideration receivable, excluding discounts, and other sales tax or duty based on the Group's participating interest.

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 right to receive the payment is established.

Costs and Expenses

Costs and expenses are recognized in consolidated statement of income when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Costs and expenses are recognized in the consolidated statement of income in the year in which they are incurred.

Share in Costs and Operating Expenses

Share in costs and operating expenses include production costs of SC-14 and transportation costs per lifting and ending inventory which is recognized upon the allocation of the amounts mentioned by the SC. Allocation is done by the use of the Group's participating interest in the SC.

General and Administrative Expenses

Expenses incurred in the direction and general administration of day-to-day operation of the Group are generally recognized when the services are used or the expenses arise.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expenses (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.

Share-Based Payment

Certain employees (including directors) of the Parent Company receive remuneration in the form of share appreciation right (SAR). This entitles the employees to receive cash which is equal to the excess of the market value of the Group's shares over the award price as of a given date.

In valuing cash-settled transactions, the entity measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the entity remeasures the fair value of the liability at each end of the reporting period and at the date of settlement, with any changes in fair value recognized in consolidated statement of income for the period. The fair value is determined using an appropriate pricing model, further details of which are given in Note 12.

Retirement Benefit

The Group has a funded, non-contributory defined benefits retirement plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period 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 defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined 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 “Retirement benefit expense” under personnel costs in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined 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 defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as “Interest income” in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods. Remeasurements are recognized in “Retained earnings” after the initial adoption of the Revised PAS 19.

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 defined benefit obligation, the measurement of the resulting defined 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 defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The standard requires an entity to recognize short-term employee benefits when an employee has rendered service in exchange of those benefits.

<u>Leases</u>

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Group as Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statements of comprehensive income on a straight line basis over the lease term.

<u>Earnings per Share (EPS)</u>

Basic EPS is computed by dividing earnings applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

Outstanding stock options will have a dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option. Where the effect of the exercise of all outstanding options has anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

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

Deferred Income Tax

Deferred income tax is provided using the liability method on all temporary differences at the end of the reporting period 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 difference associated with investments in foreign subsidiaries and interest 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 no reverse in a foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary differences 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 profit nor taxable income or loss; and
- in respect of deductible temporary differences associated with investment in foreign subsidiaries 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 end of the reporting period 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 end of the reporting period and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred tax assets to be recovered.

In respect of deductible temporary differences associated with investment in associates, 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 profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.
Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as an interest expense.

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

Foreign Currency Transactions
Transactions denominated in foreign currencies are recorded using the applicable exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the applicable closing functional currency exchange rate at the end of the reporting period. Foreign exchange gains or losses arising from foreign currency-denominated transactions and translations are recognized in the consolidated statement of income. 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 transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on transaction of nonmonetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in the fair value of the item

Segment Reporting
Currently, the Group has only one business segment. The Group is primarily involved in oil exploration and production. Revenue generated consists mainly of revenue from petroleum operations. Other income is derived from equity in net earnings of associates. The Group has no geographical segments.

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